

Venue
a city striking
in elegance

Freud & Jung
analysis in
monadland

Antarctica
a holiday in
the freezer

TOURISM
NORWAY
CIA SPY SPOT
Mirrored wilds
of mirrors

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND FEBRUARY 26/FEBRUARY 27 1994

D8523A

Tories' European allies insist on federal stance

Conservative allies in the European parliament are insisting on committing British Tory MEPs to federalism after June's European elections - a demand that will deepen Tory difficulties over Europe. Britain's Conservative leaders have distanced their party from the federalist manifesto of the European People's party, but EPP chief Thomas Jansen said the manifesto would be binding on elected MEPs, apart from items which Britain secured an opt-out from the Maastricht treaty. Page 26

FTSE 100 Index
Stock movements

3,600

3,500

3,400

3,300

3,200

3,100

3,000

2,900

2,800

2,700

2,600

2,500

2,400

2,300

2,200

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1,500

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1,200

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1,000

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500

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200

100

0

27 Feb 1994 26

London stocks, Page 17; Editorial comment, Page 10; Bonds, Page 14; Markets calmer and Lex, Page 26; Markets, Weekend FT, Page 22

Oil executive found guilty: Former oil executive Mohammed Bagi was fined \$120,000 after being convicted in London of fraud charges linked to the Bank of Commerce and Credit International. Bagi, 58, was accused of conspiring to deceive the bank's auditors by providing false accounting information. Page 6

Prince Charles burgled: Burglars broke in to Prince Charles's apartment in St James's Palace, London, and stole cut links, tie pins and other small personal items. The prince is abroad sailing.

Search for South African survivors goes on: Rescuers continued to search in Virginia, Orange Free State, for 41 people still missing after toxic sludge burst from a gold mine dam and engulfed homes on Tuesday. Ten people were found alive yesterday but at least 15 died when the dam burst.

Bridgestones of Japan, the world's biggest tyre manufacturer, reported a 53 per cent fall in consolidated pre-tax profits, to Y37.3m (2287.6m) last year from Y75.6m in 1992. Page 14

Irish court frees suspect: An Irish court freed terrorist suspect Joseph Magee, 27, upholding his appeal against a British request for his extradition for questioning over the murder in 1992 of an army sergeant in Derby. The judge ruled that the offence was a political one for which extradition was not permissible under the Irish constitution.

More details of MPs' interests: MPs will have to disclose more details of their involvement with the Lloyd's of London insurance market under new parliamentary rules taking effect next week. A new directory of members' interests will show which MPs are Names and detail which syndicates they support. Page 6

Fly away free to Europe with the FT/Lufthansa offer

Starting on Monday you can get two free Business Class flights to Europe when you take any long-haul Business or First Class return (or two single) Lufthansa Inter-Continental flights.

See Monday's paper for full details.

Airline chief sacked: Ethiopia fired Captain Zeleke Demisse, general manager of its national airline, saying corrupt and inefficient management had pushed the carrier to the brink of collapse. Thirty other airline employees were also dismissed.

China sets up hotline: China is opening a telephone hotline for workers who feel abused by their bosses. The Ministry of Labour-sponsored hotline is aimed at protecting workers' rights, particularly in foreign-funded enterprises which Beijing says often abuse their Chinese workforces.

Australia in language puzzle: Australia launched a 13-year campaign to get 60 per cent of school children learning Asian languages, with Japanese, Mandarin, Indonesian and Korean as the priority targets.

FT STOCK MARKET INDICES

FT-SE 100 - 3,291.2 (613.7)

Yield - 3.81

FT-SE Bankex 100 - 1,482.81 (-8.73)

FT-SE All-Share - 1,642.67 (-0.78)

NIKE - 10,083.38 (-67.38)

New York Indust. - 3,026.48 (-1.41)

S&P Composite - 496.00 (-1.74)

US LUNCHTIME RATES

Federal Funds - 3.5%

3-mo Term Bill Yld - 3.58%

Long Bond - 6.4%

Yield - 6.76%

US INTERBANK RATES

3-mo Interbank - 3.5% (same)

Life long gvt future - Mar 1125 (Mar 1124)

31 NORTH SEA GBL (Argus)

Bank 15-day - \$13,445 (-13.58)

US Gold -

New York Comex April - \$378.8 (-27.6)

London - \$378.70 (-27.10)

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Banks set out £1.5bn rescue package for Euro Disney

By Alice Rawsthorn in Paris

The Euro Disney banks have presented outline proposals for a FF1.13bn (£1.5bn) restructuring package to rescue the troubled leisure group.

Walt Disney, its powerful US parent company, would bear half the cost of the restructuring.

"Disney got us into this mess and it's only fair that it should play its part in finding a way out," said a senior banker involved in the rescue talks. "It seems reasonable that if we put up half the money, Disney should stump up the rest."

Negotiations between the banks and the Disney companies began in earnest after the banks on Monday received the final version of an investigative audit of Euro Disney's finances commissioned from KPMG Peat Marwick, the accountancy group.

KPMG has calculated that Euro Disney, which made a net loss of FF15.3bn on turnover of FF15.7bn in the financial year to September 30, will require a capital injection of FF1.13bn to reduce its FF20.3bn net debt to a manageable level. The group is in a dire financial state after struggling to service its debt at a time when its operations have been affected by the recession.

Under the banks' proposal, Euro Disney would receive part of the FF1.13bn through an injection of capital from a rights issue and, possibly, a debt-for-equity swap. The remainder would be provided indirectly by reducing its contractual payments to Walt Disney and the cost of servicing the loans.

He singled out Mercury Asset Management, which accepted the offer for its 14.2 per cent stake on Thursday and suggested it had been swayed by its large stake in Euro Disney. "If there's one single reason why we lost, it is that MAM has around 240m of Granada and less than £100m of LWT."

The directors and senior managers of LWT have the consolation that the value of their shares in the company has doubled to about FF35m since Granada first took a stake in LWT last year.

The shares were issued to 50 individuals following the controver-

Continued on Page 26

UK fails to avert Malaysian trade ban

By Robert Peston and James Bissell in London and Kieran Cooke in Kuala Lumpur

The British Government last night accepted there was little it could do in the short term to end the Malaysian trade ban, following an emotional statement from Mr Anwar Ibrahim, the Malaysian deputy prime minister. Mr Anwar has announced the exclusion of all UK companies from Malaysian defence contracts.

However, it emerged last night that Baroness Thatcher, the former British prime minister, who has a close personal relationship with Dr Mahathir Mohamad, Malaysia's premier, is prepared to intercede in the dispute.

"She is keeping a close watch on the situation and would contact Dr Mahathir if asked," said a

close friend of Mrs Thatcher.

The Malaysians announced the ban in anger at British press allegations that bribes were paid to Malaysian politicians and recent disclosures of a link between a £1bn defence contract won in 1988 and £224m paid in aid for the Pergau hydroelectric dam.

Mr Anwar's zealous lobbying in the mid-1980s succeeded in persuading Dr Mahathir to end his Buy British Last policy, imposed in 1981, and secured a £2bn defence deal between Britain and Malaysia in 1988.

British government attempts yesterday to defuse the latest row appeared to have failed. Mr John Major, the British prime minister, sent a letter to the Malaysian prime minister. Malaysian officials said they were not greatly excited by the letter's contents

which said: "I am deeply sorry that the recent developments have caused you concern. I assure you that the British Government is fully committed to the principles of the European Union and to the maintenance of a stable and peaceful environment in Southeast Asia."

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were not greatly impressed by the letter's contents

which said: "I am deeply sorry that the recent developments have caused you concern. I assure you that the British Government is fully committed to the principles of the European Union and to the maintenance of a stable and peaceful environment in Southeast Asia."

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London stories, Page 17

nor hopeful of any break in the impasse between the two countries.

"We have no intention of reviewing our policy," said Mr Anwar.

The exclusion of UK companies from Malaysian government contracts could cost British industry hundreds of millions of pounds. Before the imposition of sanctions, 22bn of contracts were under negotiation.

Business leaders also expressed deep concern yesterday about the possible loss of business and the political handling of the affair.

It emerged yesterday that Lord Prior, chairman of the electronics group GEC, had put in a request

to Downing Street that Mr Major telephone Dr Mahathir.

Lord Weinstock, managing director of GEC, which is a prime supplier of equipment under that defence contract, urged the opposition Labour party to set aside political differences.

Mr John Smith, leader of the Labour party, urged him to "encourage your colleagues to remember the strong links that exist between Britain and Malaysia".

A Labour official replied: "Lord Weinstock should not be asking the Labour party or any MP not to participate in the proper role of parliament of exercising scrutiny over public affairs."

GEC is also one of seven companies, including P&O, BICC, Kleinwort Benson and Rolls-Royce, which have written

to the Times newspaper accusing British newspapers of writing "ill-informed and tendentious articles" about the techniques used by the British government and press in winning contracts in Malaysia. The letter lauds Malaysia as "a fine example to the world in racial harmony and political stability".

It followed a vitriolic attack on the British press by Mr Anwar yesterday morning. He said: "We detest their [UK newspapers'] patronising attitude and innuendoes that the government of Malaysia is incompetent and their leaders corrupt."

He was particularly critical of an article in the Sunday Times

Continued on Page 26

cial golden-handcuff scheme put in place five years ago. Sir Christopher's holding is now worth about £1m. Greg Dyke, chief executive, has a £8m stake.

Granada expects to make significant cost savings from combining its north-west TV franchise with LWT's weekend station in London. Gerry Robinson, chief executive, insisted they would "remain separate franchises". He would not be drawn on likely job losses.

As for the LWT directors, Mr Robinson said that Sir Christopher had agreed "right from the start" that there would be no place for him in the enlarged group. Mr Dyke's future was still a matter for discussion.

News of Granada's victory came shortly after the close of the bid at 5pm yesterday afternoon. Granada said it had valid acceptances in respect of 403 per cent of LWT's shares which, together with the shares it already owned, gave it a total of 57.8 per cent.

Institutions that accepted the bid included PDM and Fidelity. It is thought that AMP sold its shares in the market.

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NEWS: INTERNATIONAL

Killer 'was the kindest man - he wouldn't hurt a cat. He had simply treated too many intifada victims'

David Horovitz reports from Hebron in the aftermath of yesterday's prayer-time massacre

Out the narrow slope leading down into Hebron from the Cave of the Patriarchs, four silver-coloured portable barrels, covered in blood, were drying in the winter sunshine. The trail of blood led further up the hill, to the huge Herodian-built entrance to the Cave. There, by the green entry doors, a sign in Hebrew, English and Arabic requested of worshippers: "Please preserve the sanctity of the site." A little after 6am yesterday that sanctity was shattered as never before.

Clad in his army reservist's uniform and carrying a Gail automatic rifle, Baruch Goldstein, a doctor who lived at the nearby Jewish settlement of Kiryat Arba, slipped past the sleepy soldiers on duty outside, and made his way into the tomb, filled with Palestinians just starting their early morning Ramadan prayers. In a shooting spree that witnesses said lasted at least 10 minutes, he murdered close to 50 Palestinians and wounded dozens more. In a telephone call of condolence and apology to the PLO chairman Mr Yasir Arafat last night, Israel's prime minister, Mr Yitzhak Rabin said Goldstein had tried to murder the fragile Israeli-Palestinian peace process.

Most of Hebron was deserted in the hours after the shooting, its stores shuttered, just a few elderly men, heads bowed, walking slowly through the market. But the streets were peppered with rocks and smouldering tyres - lingering signs of the violent clashes between Palestinians and soldiers that raged soon after the

A violent past



Some of the worst incidents of violence since Israel captured the West Bank and Gaza Strip in 1967:

- Oct 8 1990: Israeli police shoot dead 18 Arabs on Jerusalem's Temple Mount after a Palestinian protest flares into violence.
- July 8 1992: A Palestinian from the Gaza Strip seizes the steering wheel of an Israeli bus and sends it ploughing into a ravine, killing 16 Jews.
- March 11 1978: Arab guerrillas infiltrate into Israel from the sea, killing 37 and wounding 82 in an attack on a bus and other traffic.
- April 1974: 16 civilians and two soldiers killed by Arab gunmen embarking Israel from Lebanon.
- May 30 1972: Three Japanese gunmen acting for the hardline Marxist Popular Front for the Liberation of Palestine (PFLP) shoot up Tel Aviv's Lod Airport killing 25 and wounding more than 60. - Photos: AP

shooting, before the army Palestinians. "We're at war with the Arabs. It's just a shame that a Jew had to die." Outside the tomb itself, small clusters of dazed Palestinians milled around, anxious to recount the details of the massacre. When, periodically, soldiers came to shoo them away, smirking groups of young Jewish settlers took their place, their guns slung casually over their shoulders. "It's good, what happened," jeered one young settler at the

ever anybody stood up, there was more shooting." When the panicked Palestinians tried to flee, she went on, "the soldiers closed the doors".

Across town, at the Al-Ahali hospital to which many of the wounded were taken, Sharif Zahidah lay propped up in bed, the bloodstains on his pillow and sheets testimony to the bullet wound in his left side, perilously close to his heart. In the chaos when the shooting started, he said, "I thought at first it was coming from outside. But then I saw that my whole row of worshippers had collapsed. The man next to me was hit, and part of his brain fell on my face." At one point, said Zahidah, the gunman's weapon jammed. "A Palestinian who knows karate tried to attack him, but was shot by a soldier."

Eventually, he continued, the gunman was overpowered. "I think he was killed." Natshe Shahaan had been kneeling beside his brother Jamil, 48, the muezzin who had called the morning's prayers. Now Jamil's name is just another on the photocopied list of the dead, stuck in the window at the hospital's reception desk.

Walking through Hebron to the tomb, Lt-Col Yehuda Weinraub of the Israeli army spokesman, was hit on the head by a rock thrown from a rooftop. His white bandage slowly turning red, he insisted to reporters that at no point had soldiers opened fire. In fact, he said, countering the witnesses' assertions, there had been no soldiers inside the tomb; they were keeping a low profile in

difference to the Ramadan prayers. Lt-Col Weinraub was at a loss to explain why the soldiers outside had allowed Dr Goldstein into the Cave, and promised the most thorough investigation of the massacre.

Just a few hundred yards away through deserted streets, at the Beit Hadassah complex where several hundred of the most radical Jewish settlers maintain their symbolic presence in the heart of Hebron, Danny Hisami, a friend of Dr Goldstein, had his explanations ready. The doctor, he said, "was the kindest man - he wouldn't hurt a cat." He had simply treated too many Jewish victims of the Palestinian Intifada. "He was always the first on the scene. A few weeks ago, two of his neighbours, from the Lapid family, were murdered. He had tried to save them. I think it was too much for one man. His opinions were very radical, but then there are people with radical opinions everywhere. You think, sometimes, that you want revenge,

but you never do it."

Determined to preserve Friday afternoon "normality", Mr Hisami was on his way to deliver gifts of food to mark the Jewish Purim festival before preparing for the Sabbath in the courtyard behind him. Small Jewish children behind him, some laughing in play, clad in fancy dress in the Purim costume, as though nothing had been taking place just down the street.

In a basement at Beit Hadassah, a museum commemorates the 69 Jewish residents of Hebron killed by Arab mobs in 1929. It was their deaths, and the consequent severance of the Jewish presence in Hebron, that galvanised Jewish settlers to return to this 60,000 strong Arab town in the spring of 1968, months after the West Bank had been captured by Israel in the 1967 Six-Day War.

Since then, more than 120,000 Jews have followed their example and made homes in the occupied territories, but only the most ideologically-motivated settlers can survive here and in the Kiryat Arba settlement that overlooks the town, set up as intruders by their Palestinian neighbours.

Barred from the Tomb of the Patriarchs for 700 years, the Jews have gradually established equal praying rights with the Moslems, the two communities tensely sharing the same place, at different times. The main hall serves as a mosque, two side rooms as synagogues. Except on Fridays, when Moslem prayer mats are laid out in all the rooms, and Jews are denied entry. Or

should be.

0 Miles 0 Km



US dismisses Tokyo target to cut surplus

By William Dawkins in Tokyo

Japan plans to set a target for cutting its record current account surplus, in what appears an inadequate attempt to defuse its trade row with the US.

The cabinet yesterday agreed to produce a market-opening plan by the end of March, including a goal proposed by Mr Tsutomu Hata, foreign minister, to reduce the surplus to 2.8 per cent of gross domestic product, or \$125bn (234bn) this year, from the estimated 3.1 per cent of GDP for the year to the end of March. The current account surplus was \$131.35bn in the last calendar year.

This goal - not a binding pledge - is already in the government's economic target for the coming year, published two weeks ago.

It received an instant dismissal from Mr Walter Mondale, US ambassador to Japan:

"That's their current estimate. That wouldn't be anything. What we need is to bring about a highly substantial reduction of the current account surplus over the next four years."

The scheme is likely to be on the agenda of a private meeting in Frankfurt this morning, of Mr Hirohisa Fujii, Japanese finance minister, and Mr Lloyd Bentsen, US treasury secretary, before a session of the Group of Seven finance ministers. Japan will also be seeking co-operation from its G7 partners to avoid another steep rise in the yen's value.

The plan to set a firm goal for a reduction in the surplus also ran into criticism from Mrs Manae Kubota, director-general of Japan's Economic Planning Agency, which draws up the government's economic targets.

It has managed to stick to few of its own current account targets since the agency

started compiling them in 1955, she pointed out.

Mr Hata agreed that the government could not make a firm pledge on the surplus because of the volatility of exchange and interest rates. But as long as Japan ran a heavy trade surplus with the US (\$59bn last year), "we cannot have understanding from the international community," the foreign minister said.

Mr Morihiro Hosokawa, prime minister, had hoped to have a market-opening package ready in time for the G7 meeting today, but officials argued they needed more time if they were to prepare plans of real substance.

The main headings include more deregulation (such as streamlined import procedures), more open governmental procurement, tougher anti-trust rules, and measures to promote imports and foreign investment.

Nancy Duvme adds from Washington: The Clinton administration had no immediate response to Japan's latest efforts to formulate a trade peace plan. However, Mr Mickey Kantor, US trade representative, issued a statement of support for a tough new trade bill, introduced on Thursday by Congressman Dick Gephardt, Democratic majority leader in the House of Representatives, and Senator Jay Rockefeller of West Virginia.

The bill would require the US Commerce Department unilaterally to set targets for foreign import penetration in Japan. Mr Kantor said Mr Gephardt and the senator had spent years thinking about the US-Japan relationship and working for a change in Japan. We welcome this expression of Congressional support for a policy that finally achieves real market opening in key sectors in Japan."

West tries to maintain momentum for peace

By Mark Nicholson in Cairo and James Whittington in Amman

World leaders expressed shock and condemnation of the Hebron slaughter yesterday and urged that the atrocity should not be allowed to derail efforts to negotiate a peace agreement.

President Bill Clinton warned that the massacre would complicate the difficult work of peace. "It's terrible and I condemn it. It's a terrible human tragedy and it only complicates the difficult work of peace," he said at the White House.

Mr Warren Christopher, US secretary of state, spoke of his horror at the killing, and said it "underscores the imperative of accelerating the

negotiations" towards implementation of the declaration of principles signed between Israel and the Palestine Liberation Organisation last year.

He called for calm to prevent the "enemies of peace" from exploiting yesterday's tragedy. Mr Christopher also telephoned Mr Yasser Arafat, the PLO chairman, to urge "calm, reason and restraint".

Similar sentiments came from other capitals, with the French foreign ministry condemning the "hateful crime" and also urging "restraint" from all parties.

In neighbouring Jordan the atmosphere was tense. An elderly British tourist, Mr Howard Long, of Purley in Surrey, was stabbed in Amman

hours after the massacre but not seriously wounded. Westerners have been advised not to stray away from the main tourist areas.

The US warned Americans travelling in Israel to stay out of East Jerusalem, the West Bank and Gaza. The State Department also cautioned Americans to exercise caution when travelling throughout the Middle East and Europe.

Angry Palestinian officials, however, said the slaughter in Hebron would "psychologically and practically" affect peace negotiations due to resume in Cairo early next week.

Mr Said Kamil, head of the PLO mission in Cairo, said Mr Arafat had called an emergency meeting of the PLO's executive committee of the

central council in Tunis to discuss the future of the negotiations.

However, Mr Nabil Shaath, the chief Palestinian negotiator in the detailed talks on Israeli withdrawal, said yesterday "we are not contemplating interrupting the peace talks". He added: "We don't know about the schedule, but the peace talks will go on."

Describing the killings in Hebron a "major catastrophe", he said that it "clearly demonstrated that these settlers are, will be and always have been the major problem to a solution on the ground".

Mr Shaath said it was imperative the Israelis take concrete steps to assure the protection of Palestinians in the occupied territories. "They

have spent 75 per cent of the time in these talks discussing their security without considering that of our people," he said.

Longstanding Palestinian opponents of the Oslo agreement were quick to claim that the killings showed that the PLO-Israeli deal was unworkable. "It shows that peace with the Zionists is impossible," said a statement from Hamas, the militant Islamic Palestinian group which also vowed to avenge the killings and "punish" Israeli troops and settlers.

Other "rejectionist" Palestinian groups, including the Democratic Front for the Liberation of Palestine and the Popular Front for the Liberation of Palestine, both in Damascus, also vowed vengeance.

By Emma Tucker in London and Quentin Peel in Bonn

Finance ministers from the Group of Seven leading industrialised countries are to meet near Frankfurt today, to discuss the crisis in the Russian economy. This is an intractable, however, that their discussions are likely to focus as much on their own problems, of unemployment and lacklustre growth.

The meeting was called last month by Mr Theo Waigel, German finance minister, to find out, as one source put it, "what the hell Russia is up to".

Since then, turmoil has hit the world's securities markets, a trade war is threatened between the US and Japan, and there is rising concern about the German economy, prompting the ministers heading for the meeting today to add the global economy to their agenda.

The G7 finance ministers - and central bankers from the US, Japan, Germany, France, Italy, the UK and Canada - will concur among themselves before meeting Mr Sergei Dubinin, Russian finance minister, Mr Alexander Shokhin, economic minister, and Mr Gennadi Geraschenko, central bank governor.

They are expected to take a tough line with the Russians, in stressing the need for concrete measures to control the government's budget deficit and money supply.

Although the G7 delegates are keen to support the continuation of economic reform, they are adamant that a reliable and predictable economic policy is essential, above all to attract foreign investment and not simply to get more public finance from the G7 governments.

Mr Waigel, who will be chairing the meeting, made clear in advance that there are no plans for additional finance from the G7 group, but that transfer of funds, already promised at the Tokyo summit last year, depends on Moscow's further progress with the reform programme.

Given the confusion emanating from the former Soviet Union, and the difficulty for the finance ministers of producing anything meaningful, the US-Japan trade row threatens to hijack events. No communiqué is planned.

The US, which sees itself as the saviour of global economics, is aggrieved that Japan and Europe have dragged their feet while Washington, in the

words of Mr Lloyd Bentsen, US Treasury secretary, has "laid the basis for a recovery with solid growth, a declining budget deficit and the lowest inflation and interest rates in more than 20 years".

The main US grievance is with Japan. It argues that Japan's inability to create the growth required to reduce its external surplus is acting as a drag on the world economy. For its part, Japan will protest that it has taken the necessary steps to boost growth in the form of its recent economic stimulation package.

Moreover, it argues that any form of numerical targeting of its bilateral trade with the US runs against the spirit of a multilateral trade system and the recent Uruguay round agreement to liberalise global trading, a point on which it may well receive support from the UK and others.

Also, the US is expected to draw attention to the sluggish reduction of interest rates in continental Europe since the currency crisis last year.

Although a senior US Treasury official conceded recently that the US would not want to see the Europeans do anything "impudent", Mr Bentsen has called attention to the "staggering burden of rising unemployment" in Europe.

This issue is more likely to surface when the G7 meets again, next month in Detroit, to discuss persistently high unemployment in industrialised countries.

Clinton urges Congress to protect Moscow aid

By George Graham in Washington

President Bill Clinton yesterday urged senior members of Congress not to cut off aid to Russia, in response to the arrest in the US of a senior Central Intelligence Agency officer on charges of spying for the Russian intelligence service.

Seeking to end off calls for an immediate freeze of US assistance, Mr Clinton called Republican and Democratic leaders to the White House to persuade them that aid to Russia, for such as reducing nuclear weapons and promoting economic reform, remained in the US national interest.

Senior members of Congress are increasingly questioning not only the overall amount of aid to the states of the former Soviet Union but also the former

portion that goes to Russia.

"While we all agreed that the spy incident would not, in and of itself, warrant reconsideration of aid there are a lot of other things that do. The Russia-first policy, I think, is increasingly in disfavour in the Congress," warned Senator Mitch McConnell of Kentucky, senior Republican on the Senate committee controlling foreign aid spending.

He had insisted, in US budget negotiations last year, on a portion of the aid package going to Ukraine. That portion is expected to increase this year because of Ukraine's trade agreement, with the US and Russia, to give up the nuclear weapons on its territory.

He had insisted, in US budget negotiations last year, on a portion of the aid package going to Ukraine. That portion is expected to increase this year because of Ukraine's trade agreement, with the US and Russia, to give up the nuclear weapons on its territory.

The decision comes as peace talks aimed to end the peasant uprising in the southern state of Chiapas seem to be making rapid progress. After four days of talks, the rebels reported about 50 per cent of their demands had been met.

President Carlos Salinas was "seriously considering foreign election observers. There cannot be any doubt about the process and transparency of elections. There could be resistance to the observers but we can do it," said the official, speaking on presidential authority. He left little doubt that the decision to admit foreign observers had been taken in all but name.

The rebels had promised electricity, health and education services to indigenous people's villages, compensation for the relatives of victims killed in the 86-day rebellion, and a commission to ensure compliance with a peace accord.

For historical reasons, Mexico would not accept US observers, he said. The exact

role of the observers had yet to be worked out, but it is expected they would issue a formal report on the elections.

The negotiations between the political parties over electoral reform, which have focused on the make-up of electoral tribunals but include the issue of foreign observers, seem to have picked up momentum.

The official added that peace talks in Chiapas, aimed at formally ending the uprising there, were going much more rapidly than expected. His view echoes statements by Mr Manuel Camacho, the government's peace envoy in Chiapas, who said the round of talks might finish tomorrow, after which rebel leaders would consult their supporters.

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German groups enter TV venture

By Quentin Peel in Bonn

Bertelsmann and KirchGroup, Germany's two largest investors in private television, are to join Deutsche Telekom, the state telecommunications monopoly, in a bid to become the dominant distributor of the next generation of digital television services in the country.

The three have signed a memorandum of understanding to create a joint venture called Media Service, which will offer to manage and distribute new TV channels, as well as specialist telecommunications services, on Deutsche Telekom's cable television network.

The plan is to establish a single

service company to distribute new Pay-TV programmes, shopping-TV and other specialist channels on a ready-made communication network which already includes 14m homes in Germany.

Initial investment is expected to be around DM200m (£77.5m), and the joint venture is intending to develop its own decoder system, so that it can offer clients not only the cable distribution, but also a single sophisticated billing system, charging viewers according to the television they watch.

The alternatives to cable distribution of digital television would be satellite distribution or terrestrial broadcasting, but Deutsche Telekom is clearly

keen to exploit its existing monopoly position in German cable TV. Only in east Germany is there very low cable penetration in urban areas, with satellite broadcasting filling the gap.

The deal brings together the Bertelsmann media empire, whose television interests include RTL, Germany's most profitable private broadcaster, and KirchGroup headed by Mr Leo Kirch, who is a leading shareholder in the SAT-1 station, and in the Axel Springer publishing group.

Although the two groups are normally fierce rivals, they are both shareholders in Premiere Pay-TV, whose technical expertise and marketing skills -

with some 300,000 subscribers - could be used in the venture. Deutsche Telekom, soon-to-be-privatised under legislation currently going through the German parliament, is obviously keen to exploit its existing cable network as the dominant means of distributing future digital television and specialist telecommunication services.

However, all three are adamant yesterday that Media Services would be scrupulously neutral in its treatment of future clients, restricting itself to technical, administrative and distribution services.

The new joint venture will not act as a broadcaster or provider of programming," they said in a statement. That commitment is intended to ensure that the new venture does not fall foul of Germany's strict controls over the broadcasting market, which forbids any one company from a majority shareholding in more than one station.

The three founders are adamant that they are not seeking to create a monopoly over distribution of future digital television services in Germany. They said they were happy to accept further shareholders with minority stakes in the joint venture, which will be founded on April 1. It will be based in Berlin, and is intended to start operation by the middle of the year.

French farmers present prize bulls in front of the Eiffel Tower yesterday. The farmers are gathering in readiness for the opening of the annual agricultural fair which opens on Sunday.

NEWS IN BRIEF

US and Japan settle tariff cuts

The US and Japan yesterday said they would deliver to Gatt by the end of their final tariff schedules under the Uruguay Round of global trade talks, ten days after the official deadline of February 15, writes Frances Williams from Geneva. The two other members of the Quad group of leading trading nations - the European Union and Canada - submitted their tariff schedules this week. Though US officials have blamed Washington's delay on technical problems in compiling the 1,000 page long schedule, it follows a row with Japan over US withdrawal of tariff offers on some industrial electronics items. Tokyo disputes US claims that these offers were conditional on further Japanese tariff concessions on wood, white spirits and non-ferrous metals, but now says it will not retaliate by adjusting its own offer. This has raised hopes that the dispute may be quietly laid to rest. Other Gatt members who have not already submitted tariff schedules are expected to do so shortly. Ministers meet in Marrakesh in April to sign the Uruguay Round accords.

France plans presidential primary

Mr Charles Pascual, the French interior minister, said yesterday he intended to present a bill enabling French political parties or coalitions to hold US-style national primary elections to select their presidential candidates, writes David Buchan from Paris. Responding to growing tension between rival presidential contenders within the ruling RPR-UDF coalition, Mr Pascual told *Le Figaro* newspaper he wanted to prevent a recurrence in next May's presidential election of the split in the conservative vote that put President Mitterrand in the Elysée in 1981 and 1988.

Greek finance minister chosen

Greece's finance undersecretary, Mr Alexandros Papadopoulos, was promoted to finance minister yesterday, replacing Mr Giorgos Gemimatas, writes Keren Hope from Athens. However, Mr Gemimatas, who has cancer, will stay as economy minister, a post he has held since last October. The changeover is likely to delay tax legislation due to go before parliament this month, heightening concerns that Greece's rising public sector deficit is going to exceed this year's target of 12.9 per cent of gross domestic product. Mr Papadopoulos will also need to tackle 7.5m disputes over tax liability, some going back more than 10 years. The finance ministry estimates that settlement could raise an additional Dr300m (\$1.2bn) in revenues this year.

Italian left wants centre alliance

Mr Achille Occhetto, the leader of Italy's former communist PDS party, (left) will today try to assemble a loose alliance with centre parties to counter rising electoral support for Mr Silvio Berlusconi, the media magnate, writes David March. Speaking in London as the election campaign opened, Mr Occhetto forecast a "brightening future" for Italy if Mr Berlusconi's right-wing Forza Italia movement wins. Mr Occhetto used his visit, arranged in association with the Schroders banking group, to discuss his party's economic policies with UK-based economists and fund managers. He stressed yesterday that, if elected, he would continue the policies of Mr Carlo Azeglio Ciampi aimed at cutting the budget deficit and reforming public administration.

Pakistan wins \$2.5bn aid

Pakistan's foreign aid donors yesterday praised its recent efforts to improve public finances and to privatise state companies, and granted Islamabad's request for \$2.5bn in fresh assistance, of which \$1.3bn will be provided in 1994-95, writes David Buchan from Paris. Meeting for the first time since April 1992, the 13 western governments and multilateral agencies making up the Pakistan aid consortium endorsed the country's economic reforms which had remained unaffected by the change in government four times in seven months last year.

Burma guerrillas end 30-year fight

Burma's military junta has signed a ceasefire agreement with the Kachin Independence Organisation, the country's biggest guerrilla group, ending more than 30 years of fighting in the far north of the country, writes Victor Mallet from Bangkok. Lt-Gen Khin Nyunt, the most prominent member of the junta, hailed the deal as "an auspicious day" for Burma. But the KIO, said the deal covered only military matters, such as troop movements, and did not imply an immediate start to political negotiations.

Peacekeepers close in on Tuzla

United Nations peacekeepers yesterday moved closer towards opening Tuzla airport in eastern Bosnia which has besieged by Bosnian Serb forces, writes Judy Dempsey. Nine German Leopard tanks, which can withstand mortar and artillery strikes, reached Tuzla as part of the UN's efforts to re-open the airport by March 7. The move coincided with an announcement by the Russian parliament to send an additional 300 peacekeeping troops. Mr Vitaly Churkin, Russia's deputy foreign minister and Moscow's special envoy to Bosnia, said the decision would "symbolise Russia's growing central role in a Bosnian settlement."

Mandela to meet Buthelezi

Efforts to avert civil war in South Africa are to reach the highest levels next week when Mr Nelson Mandela, leader of the African National Congress, meets Chief Mangosuthu Buthelezi, head of the Zulu-based Inkatha Freedom Party, writes Patti Waldmeir in Johannesburg. The surprise meeting, announced last night, is the first between the two men since constitutional negotiations deadlocked and Chief Buthelezi announced his boycott of the April elections. Chief Buthelezi insists that only such a meeting of leaders can resolve the impasse, but past encounters between the two men have yielded little.

Belgian National Bank yesterday cut its central rate to 6.40 per cent from 6.55 per cent. Money market dealers welcomed the cut, the second in a week, seeing it as a bid to pacify jittery markets.

Fears of 'negotiating crunch' at enlargement talks

By David Gardner in Brussels and Hugh Carnegy in Helsinki

Ministerial talks on enlargement resumed in Brussels last night amid dimming hopes that terms of entry into the European Union for Austria, Norway, Sweden and Finland can be reached by the deadline of Monday midnight. "There is a genuine negotiating crunch coming" over this weekend, one EU ambassador forecast yesterday.

Last night's talks centred on agriculture and fisheries. All but the

Swedish government are unhappy with EU proposals for long-term aid to Arctic and Alpine farmers, which the applicants would largely have to fund themselves.

They are also opposed to immediate realignment of their far higher farm prices to EU levels, and instead want border levies to iron out the price difference. The European Commission and, so far, a majority of the 12, say such frontier controls would compromise the border-free single market.

The UK argues that a "big bang" on farm prices for the would-be members

could jeopardise the referendum on entry in three of the four applicant countries. They force the EU having to pay too much of the compensation for the farm price cuts.

Norwegian fish and EU lorry traffic through Austria's Alpine passes are far more intractable issues, and could sink the talks. Austria wants to keep restrictions on EU truck transit through the Alps for 10 more years, rather than three as the Union insists.

The 12 were last night trying to agree a common line on fish, which accommodates Spain's demand to

catch 14,000 more fish in Norwegian waters, and French-led demands for restrictions on incoming fish products from Norway.

Sweden, which has fewer differences with the EU over the central issues of agriculture, regional supports and fisheries, also made clear it would consider signing an accord before its Nordic neighbours if it had agreed terms but Norway and Finland had not by the March 1 deadline set by Brussels for the completion of the accession talks.

Following a meeting in Helsinki of the leaders of the three countries, Prime Minister Eero Aho of Finland and Mrs Gro Harlem Brundtland, his Norwegian counterpart, criticised the EU's proposals as "link regional support to remote Arctic areas and for not meeting their demands for special treatment of Nordic agriculture".

But Mr Carl Bildt, the Swedish prime minister, stressed that the talks were being conducted bilaterally and Sweden was anxious to conclude a deal with Brussels. "Each country will have to decide for itself," he said.

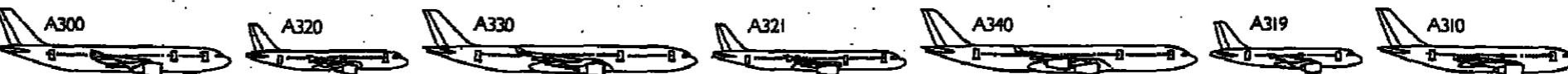
Not yet on board, Page 11

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THE MALAYSIAN TRADE BAN

Companies fear losing a shop window

IMPACT ON BRITAIN

By Tony Jackson and Andrew Taylor

The Malaysian government's boycott of British goods has caused widespread alarm among UK companies. The main threat, however, seems largely confined to three industries: construction, defence and power generation.

For the UK economy as a whole, the sums involved are fairly small. Malaysian government's imports of British goods total about £500m (£425m) a year, or less than 0.5 per cent of total UK visible exports.

However, UK companies also undertake several billion pounds worth of contract work in Malaysia on projects which range from power plants to shipyards. More important, some British companies argue that Malaysia is an important shop window for their activities in the fast-growing and crucially important Asia-Pacific market.

Officially, the ban on British goods extends only to government orders, with the private sector left free to buy as it chooses. However, British companies with experience of the region are nervous that the private sector might follow the government's lead.

Construction companies are alarmed at the prospect of being excluded from one of Britain's biggest Far East construction markets outside Hong Kong.

British contractors are working on projects worth more than £1bn in Malaysia. Orders worth several times this amount are in the pipeline. The largest is the new \$3.5bn Kuala Lumpur International airport at Sepang, where a consortium of Trafalgar House, Balfour Beatty and GEC from the UK, and Marubeni of Japan and Gammon of Hong Kong,

has produced a master plan and development studies.

The consortium, under a memorandum of understanding with the Malaysian authorities, had been expected to manage the airport construction. This contract now may have been lost along with other opportunities to bid for work on the project. Balfour Beatty, separately, has won a £70m civil engineering contract for the airport.

Other construction contracts pending include £500m of rural water projects (North West Water) has already won a £125m contract involving the privatisation of the company's waste water system; the £400m Sultan Salahuddin thermal power station in the south of the country, a £160m steelworks at Gunawang; and several hundred million pounds of road contracts, including some privately financed toll-motorway sections.

Taylor Woodrow has previously advised on the private financing of sections of the strategic north-south highway. Costain, which has no contracts in Malaysia, said yesterday that it was bidding for a £120m section of the country's east-west highway. It was bidding for other work in the country worth £1.5bn including £500m worth of work on the new airport.

Both Balfour Beatty and Trafalgar House are involved in the controversial \$47m Pergau contract which is being built by a consortium of Trafalgar House and Balfour Beatty from the UK and Kerjaya, a Malaysian company.

Trafalgar regards Malaysia as an important base to break into other south-east Asian markets. It is in the process of establishing a steel fabrication plant in a joint venture with Edaran Otomobil Nasional to supply steel for construction to the region.

British industry reacts: disappointed and the press gets some blame

BAA



"We have been working on the AIAK Kuala Lumpur airport project for two and a half years and were expecting quite a few major contracts to follow on from our involvement. These will obviously not now materialise." Balfour Beatty

BRITISH AEROSPACE

"We want to work with Malaysia because it has high-quality people and the economy is going very well." Alan Jones, chairman, Westland helicopter group, British Aerospace

SAA

"Malaysia is a very important country to us. BAE has won some £500m-£600m worth of defence business in Malaysia. It is our third biggest defence export market after Saudi Arabia and Indonesia." SAA, which was eyeing possibilities to win airport terminal management business as well as airport retailing activities

Thames Water

"We were hoping that there would be future business opportunities and we felt we were in a good position to bid for future contracts." SAA, which was eyeing possibilities to win airport terminal management business as well as airport retailing activities

Sunday Times

"I support a free press. But in other countries they print facts rather than innuendo." Mike Hoffman, chief executive, Thames Water

"The British press ought to be proud of what it has done in bringing to light the link between aid and trade." Andrew Neil, editor, Sunday Times

Sharp attack on UK ministers by MPs

UK REACTION

By David Owen

believe that expenditure of £1bn of taxpayers' money was being promised to a government at the same time as an arms deal was being negotiated with that government and there was no link between them", he asked.

It would never be possible to build a successful economy on "squid if not illegal" deals like this one.

Mr David Steel, Liberal Democrat foreign affairs spokesman, said the "blast and blather" from Malaysia suggested that they "may have something to hide."

The Malaysian government's objections were to British press stories about funds allegedly paid by British contractors into Swiss bank accounts on behalf of Malaysian politicians, he said. No MP was in a position to know whether or not these were true.

In fact, at the same time as British companies were engaged in discussions about Pergau, some of the same companies were discussing aspects of the arms deal, Mr Cunningham said.

"If the country expected to

plexed" to find their jobs put at risk because of the activities of a free press.

Mr Michael Shersby, a Tory member of the public accounts committee, said there was nothing illegal in the Pergau deal.

Mr Hurd had pressed on with the transaction "because he did not wish to renege on undertakings" given to Malaysia by Lady Thatcher when she was prime minister.

Mr Alastair Goodlad, foreign office minister, said relations with Malaysia would "undoubtedly have been damaged" if Britain had backed out of the deal. Mr Hurd had looked at the project in the light of commitments to continue to assist Malaysian development and the wider context of bilateral relations between the two countries. It was the government's task to promote the national interest, including exports and jobs.

Mr Goodlad said there was no good reason for the Malaysians to make a connection between British press reporting and the conduct of trade.

Row may sour business in Asia

BRITAIN IN ASIA

By Alex Nicoll

Is the British government fumbling away the prospects for UK business in the world's most dynamic economies?

The nerves of British businessmen who see European, Japanese and US counterparts forging ahead in Asia, often with substantial collaboration from their governments, can only have become more frayed after a week in which official relations with Malaysia and China have dramatically deteriorated.

The announcement yesterday that British companies will not be considered for Malaysian government contracts comes hard on the heels of warnings from Beijing over its future with UK business. China stopped short of imposing sanctions but it has said UK business is bound to be affected by the dispute over Hong Kong, which deepened further this week.

Although the performance of British companies has lacked lustre in some parts of Asia, here are two countries in which they have been doing well and have been well-positioned to make further progress. In both countries their efforts have been supported by high-level government trade missions as part of the policy of Mr Michael Heseltine, secretary of state for trade and industry, to coordinate more closely with business in boosting exports and investment.

Britain's colonial heritage appears to be both a blessing and a curse in its efforts to participate in Asia's rapid growth. On the one hand, it has given many British companies experience and contacts in the region. On the other, it has left a legacy of sensitivity to the former imperial power.

Mainly thanks to Hong Kong, UK and UK-linked companies have a reasonably strong and growing presence in China, which is seen by companies around the world as the country in which they must not miss out because of its size and extraordinary potential.

But China's deep suspicion of London's ulterior motives has been obvious throughout the negotiations over Hong Kong, even after reversion of sovereignty to Beijing was sealed in the 1984 Joint Declaration. Chinese officials see the



IN HAPPIER TIMES: Dr Mahathir Mohamad, the Malaysian prime minister, with Mrs Margaret Thatcher, then his British counterpart, in a picture taken in London nearly seven years ago. Both leaders were of one mind in seeing the value of governments and private-sector companies operating effectively as one in forwarding the national interest of each country involved. This is a kind of co-operation well understood in south-east Asia.

proposals of Mr Chris Patten, Hong Kong's governor, as an attempt to perpetuate Britain's influence after the 1997 hand-over.

The accounts of last year's 17 fruitless rounds of talks on Mr Patten's plans show the negotiations to have been a dialogue of the deaf. The fundamental differences in the starting positions of the two sides made concessions by either side.

However, many business people in Hong Kong and Britain believe that Mr Patten and the British government have unnecessarily provoked China through a combative approach. They doubt the usefulness of Mr Patten's stance, given that Hong Kong business is already adjusting itself to Chinese sovereignty regardless of politics, and that Beijing says it will reverse his reforms anyway. The Hong Kong business community appears unconvinced by the argument that free and fair elections will be the best underpinning for Hong Kong's continued commercial success.

It especially feels that the British government's effort to make an honourable exit from Hong Kong will not have been worth it if it substantially weakens Britain's longer-term prospects in China.

The Malaysian dispute is very different, not least because of the strong UK government involvement in the private-sector contracts involved, whether through defence or official financing. If the colonial legacy is an exacerbating factor, it lies in Malaysia's persistent sensitivity to what it sees as the west's attempts to impose its own standards on the developing world.

Since Malaysia's independence from British rule, Britain's fortunes there have fluctuated. Statutory teaching of English, once banned, has been re-instituted. UK companies were warmly welcomed after the ending of the Buy British last campaign in the 1980s but now may be frozen out again. Nor is Britain the only country to have fallen out with Dr Mahathir.

London's attempts to explain the agreement will have been as unimpressive in Kuala Lumpur as they have been in Britain.

Yesterday's move by Kuala Lumpur will leave British companies nervous not only about their prospects in Malaysia but also about the impact of the present dispute in other south-east Asian countries in which they seek infrastructural contracts which need involvement by governments.

They will wonder how well-equipped is the government in London to promote and then defend their interests.

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INVESTORS CHRONICLE
THE CITY INSIDE OUT

NEWS: UK

Businessman fined £120,000 for BCCI fraud

By John Mason,
Law Courts Correspondent

Mr Mohammed Baqi, the former managing director of Attcock Oil, was fined £120,000 at the Old Bailey yesterday after being convicted of conspiring to inflate fraudulently the profits of the collapsed Bank of Credit and Commerce International by £90m.

Mr Baqi was found guilty on six counts of conspiring to furnish false information but acquitted on a fur-

ther two similar charges. The judge ordered him to pay £50,000 towards the costs of the prosecution and £70,000 towards his legal aid.

Judge Neil Denison, explaining why he was not jailing Mr Baqi, said the businessman had been used by more powerful men in BCCI and they had escaped justice. Mr Baqi had neither sought personal gain nor intended to cause loss to the depositors of the collapsed bank, he said. The judge made no order to disqualify Mr Baqi

from being a company director. The conviction is the second successful prosecution brought so far by the Serious Fraud Office over the collapse of BCCI. Mr Sayed Ali Akbar, a former head of BCCI's international treasury division, was jailed for six years last September after confessing to 16 charges of false accounting involving £746m.

During Mr Baqi's trial the prosecution outlined how he conspired with senior members of BCCI to help

them perpetrate the bank's multi-billion dollar international fraud by signing false audit-confirmation requests and letters confirming Attcock Oil owed management fees to the bank.

The prosecution said the effect of these was to confirm to Price Waterhouse, the BCCI auditors, that the bank was owed £50m by Attcock Oil, so creating a false impression of the bank's profitability.

The prosecution said the main perpetrator of this part of the overall

BCCI fraud was Mr Basheer Chowdry, a former manager with the bank's UK operations, with whom the Attcock Oil head had regular dealings.

Mr Chowdry had left for Pakistan after the collapse of the bank in June 1991 and was now out of reach of the British authorities, the court was told.

During the trial lawyers for Mr Baqi said that he had been made a scapegoat for the collapse of the bank and questioned why he had

been prosecuted when staff from both Price Waterhouse and the Bank of England had failed to act when the signs of fraud started to emerge.

During cross-examination one Price Waterhouse witness admitted that his firm had failed always to use best-practice methods when auditing the BCCI books.

Mr Baqi left court yesterday without commenting. He is intending to return to live permanently in his native Pakistan.

National pay deal for print industry

Unions and employers in the printing industry have concluded a new national agreement only a year after abandoning national bargaining. David Goodhart writes.

The British Printing Industry Federation said that agreement had been reached on an increase of £5 a week for a skilled worker and £4.85 and £4.43 for less skilled employees.

The GPMU print union calculates that for most print workers the increase will represent a rise of about 3 per cent.

The deal introduces, for the first time, full flexibility between the employees in grades previously covered by the NGA craft union and those covered by the Sogat general union. It covers about 100,000 employees.

Adas beefed up before sell-off

Adas, the government-owned farm advisory and research service which has been earmarked for privatisation, is to be given a sharper customer focus and tougher financial targets, Mrs Gillian Shepherd, agriculture minister, announced yesterday.

The service's cost-recovery target for 1994-95 is being raised from 35 per cent to 63 per cent, with the rest covered by the government. The service will consolidate its 15 consultancy centres into seven units to meet this target.

The move will involve closing 18 local offices and will cut costs by 10 per cent.

Advertisers urge media rules change

The Incorporated Society of British Advertisers has told the government that it can see "little justification" for the ban on national publishers owning more than 20 per cent of ITV companies.

The society said that public policy "should be directed towards enabling partnerships and mergers where they make commercial sense".

Personnel groups vote to merge

Britain's two personnel professional organisations have voted to merge, creating the largest professional personnel body in Europe.

The Institute of Personnel and Development, which will have 73,000 members, will be established in July by the Institute of Personnel Management and the Institute of Training and Development.

Pay scheme boost

The number of employees covered by registered profit-related pay schemes increased nearly 20 per cent to 1,570,100 in the final quarter of last year, the Treasury said yesterday.

Company health

An award has been launched to find Britain's healthiest company. Promoted by the Wellness Forum, a group of leading companies, and sponsored by PPP, the private health insurance company, the award is aimed at encouraging workplace health programmes.

Expenditure cut

The government has reduced its forecast for the 1993-94 public expenditure control total from £244.7bn to £224.5bn. The main reason for the change is that contributions to the European Union will be lower than was previously thought.

Post deal talks

Talks were adjourned last night between the Post Office and the UCW communication union on a national productivity deal for the Royal Mail.

FT reporters win accolade

Financial Times writers Robert Peston, David Marsh and Jimmy Burns were highly commended yesterday in the Exclusive of the Year category of the National Press Awards for revelations last year about spending by the European Bank for Reconstruction and Development. The weekly *Warrington Guardian* won three awards for its "remarkable" coverage of the town's IRA bombing. Editor Mark Rossiter was named Journalist of the Year, photographer Mike Boden won the Image of the Year award and the newspaper was given the team journalism award.

Tories' battlegrounds to be tax and councils

By Kevin Brown,
Political Correspondent

The Conservatives yesterday signalled that taxation policy and local government corruption will be the main battleground in the forthcoming local and European elections.

The Conservative tactics were flagged in hard-hitting speeches by Mr Kenneth Clarke, chancellor, Sir Norman Foster, party chairman, and Mr Peter Brooke, heritage secretary.

Labour was surprised by the attacks, which carried on to what is regarded as opposition territory.

The Conservative tactics reflect the government's determination to limit its losses in the two elections, which are expected to be extensive.

Mr Clarke told businessmen in Maidstone: "The Conserva-

tive party is willing to fight on the low-taxation issue any time and anywhere. We did last time, we will next time, the time after that and the time after that."

The chancellor defended the public-spending cuts in the November Budget and insisted that he had raised taxes "only with great reluctance".

His message was aimed largely at convincing voters that the Conservative party remains committed to low taxes. "Our answer to those who ask 'Will taxes ever go down again?' is: 'Yes, provided we control public spending,'" he said.

He said Labour had tried "to misuse statistics in a ridiculous way to try to revive the old myth that we tax the poor but not the rich".

Conservative officials said the thrust of Mr Clarke's

Straw reports local gains

By Kevin Brown

Labour holds the largest number of council seats in England for the first time ever, Mr Jack Straw, shadow environment secretary, said yesterday.

He accused Mr Jack Straw, Labour's local government spokesman, of making unproven allegations against Tory-run Westminster council, which was accused of gerrymandering in a recent district auditor's report. Sir Norman said Labour councils were responsible for the 10 highest council taxes in band C.

Mr Brooke, MP for the City and Westminster South, praised Westminster council's services, which compared favourably with neighbouring Labour-controlled boroughs.

Mr Straw said Labour had lost 543 council seats, compared with 7,408 for the Conservatives. He added that local councils had lost power to an increasing number of quangos.

The dossier shows that Labour controls 56 of the 124 major spending authorities in England, and is the largest party in two-thirds of authorities.

Labour controls the three main local government associations, including the district and county council organisations, which have traditionally had Conservative majorities.

The dossier sets the stage for the local elections in May, in which the Conservatives are widely expected to lose further seats.

It demonstrates that Labour's effective grip on local government will make it difficult for the party to make sweeping gains.

The dossier accuses the government of creating a powerful array of quangos which form "an unselected, unaccountable state which is now almost as large as elected government".

It says that quangos control £24bn of annual public spending which was formerly controlled or influenced by local government. Much of the transfer had been in education, transport, urban development, health and training.



Will Carling, England's rugby captain, yesterday rang the bell at the London International Financial Futures and Options Exchange to signal the start of trading in the FTSE Mid-250 index futures contract. Joel Kibazo writes. The new contract is a rival to the Mid-250 futures contract which started trading on the screen-based OMLX exchange three weeks ago. One dealer said the Mid-250's first day of

trading, with a total of 617 contracts dealt, had been "slightly disappointing".

Next to Mr Carling is Mr Nick Durlacher,

Liffe chairman, and immediately in front of him is Mr Daniel Hodson, chief executive of the exchange, who said the contract would enable investors to "manage their exposure to all of the UK's 850 stocks for the first time".

Photograph: Trevor Humphries

Row as Labour candidate rejected

By James Blitz

Labour party workers in Rotherham yesterday accused the movement's national executive committee of betraying the principles of one-member-one-vote after it refused to consider a popular local candidate for the town's forthcoming by-election.

Members of Rotherham's constituency Labour party said they were "up in arms" over the committee's short-list of candidates for the by-election which excluded a well-known local activist.

The candidate in question, Mr Peter Thirlwall, was recently nominated to be the by-election candidate by party members in five out of the constituency's eight wards and by a number of union branches.

In accordance with Labour's rules the preliminary nominations were followed by interviews with an NEC sub-committee, which then draws up the final short-list.

This week the NEC committee, including Ms Margaret Beckett, the deputy leader and Ms Hilary Armstrong, parliamentary private secretary to Mr John Smith, posted a list of six candidates that did not include Mr Thirlwall. Among those chosen were Mr Denis MacShane, a well-known Labour figure.

Mr Thirlwall, an engineer with Rotherham Borough Council, said yesterday that he would have easily won the ballot had he been nominated. "Party members have a short-list, but there is no one they want to vote for," he said.

Ms Georgina Boyes, a member of the executive of the Rotherham Labour party, said the decision had caused anguish.

MGN bid set to be recommended

By Diane Summers

Directors of Newspaper Publishing, owner of the Independent and Independent on Sunday newspapers, are poised to recommend to shareholders a takeover bid from a consortium led by Mirror Group Newspapers.

The recommendation is likely to come on Monday, provided some remaining details can be hammered out at the weekend between the committee of independent directors and the consortium.

The consortium, which holds more than 47 per cent of Newspaper Publishing, includes El País of Spain, La Repubblica of Italy, and a group which founded the newspapers, led by Mr Andreas Whittam Smith, editor-in-chief.

The consortium raised its bid last weekend from £261.6p to 350p a share, in a mixture of cash and MGN shares valuing the company at £73.65m. The

bid was raised to match the sum paid earlier this month by Mr Tony O'Reilly's Independent Newspapers of Ireland for 24.98 per cent of the company.

Mr O'Reilly has subsequently raised his stake in Newspaper Publishing to 29.98 per cent, subject to approval from the Department of Trade and Industry, and is the single biggest shareholder. He has so far been denied representation on the board, however.

The consortium is arguing that access to MGN's production facilities and sharing of overheads will provide benefits to both businesses.

National Union of Journalist members at the newspapers fear that, if the bid is successful, there will be heavy job losses and editorial independence will be under threat.

The consortium has assured the independent directors that editorial integrity will be "sacrosanct".

He does not suggest railway managers and staff were negligent. But he says that, because

the tunnel had had only two minor accidents in more than a century, "the possibility of an emergency received too little attention amidst other pressing priorities".

A systematic approach to the identification, management and monitoring of hazards, which BR has adopted in principle, could have checked all these errors and prevented the accident.

He concludes it was caused either by "an unaccountable error" on the part of the Sprinter driver, or by the signalling and telecommunications technicians in the tunnel junction relay room.

The driver, Mr Stephen Carpenter, did not give evidence to the inquiry after legal advice.

He acknowledges, however, that he cannot expect instant enthusiasm.

These are very important decisions. People will need to study the documentation and then take the decision to their board. It's not a matter for an off-the-cuff reaction."

Many in the financial services industry would agree. There has been no word yet from Prudential, the UK's largest life insurer. Legal & General, another leading life company, has made it clear it will not put its head above the parapet.

Mr Michael Doer, chief executive of Friends Provident, says he is disappointed with what he has seen in the prospectus so far although he has not ruled out the possibility of his company applying. The question will not go before the board until its meeting at the end of the month.

Mr Palmer agrees that the prospectus set out only aims and methods, and cannot provide conclusive evidence of how the PIA will operate. He says: "The most important early test will be the effectiveness of the admission process."

However, the PIA has set clearly defined targets for how many of the potential membership of 6,000 firms the organisation believes should fall because they do not meet the higher standards it intends to set. The development of training and competence standards in 1995 will be a further sign of its own effectiveness. In the meantime "there's the kind of relationship we have with the industry, and disciplinary and other decisions coming through".

At this hesitant time, Mr Greener's proposal could act as a catalyst in crystallising the concerns expressed by some in the industry. These have

Companies run the rule over regulator

Alison Smith reports on the cautious reaction by the financial services sector to the Personal Investment Authority

focused on vagueness about how the PIA's committees will work and how they will be formed, and disquiet that the extra cost of the new regulator may not be reflected in higher standards.

Mr Greener suggests that the PIA should be made up of a 12-strong board of public-interest directors, supervising an executive committee of 10 people working in the industry "who know the nuts and bolts of the selling process".

As a designated agency under the financial services legislation, it would be scrutinised directly by parliament which would make recommendations to the government on how it should act.

In drawing up plans on training and competence, the PIA would look not only at what knowledge sales agents or advisers had of the subject and their products, but their application of that knowledge in advice.

While there is some support for Mr Greener's blueprint, it appears no more likely than the existing PIA prospectus to achieve a consensus support in a sector where incompatible views about regulation are strongly held.

Only an immediate deadline seems capable of reconciling them.

MPs' Lloyd's details disclosed

By Richard Lapper

The public will gain access to more details of MPs' involvement at the Lloyd's of London insurance market next week.

The new directory of members' interests to be published on Monday will disclose which of their syndicates, nor of their stop-loss insurance - a personal reinsurance policy which limits premium loss.

The directory will not, however, provide details of how much capacity the MPs provide to each of their syndicates, nor of their stop-loss insurance - a personal reinsurance policy which limits premium loss.

On the basis of the information contained in the directory it will be impossible to determine the exact extent of the MPs' exposure to losses.

A number of Tory MPs are known to be members of loss-making syndicates and will be affected by the market's expected £2bn overall loss for 1991. According to the blue book, a Lloyd's publication which has a restricted circulation, at least 15 MPs were members of syndicates in the 1991 year. Among them are Mr Paul Mandelson, MP for Gloucester West, a member of loss-making Goodes Walker syndicates who has campaigned on behalf of loss-making Names, and Mr Peter Viggers, MP for Gosport, a member of the Lloyd's governing council.

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NEWS: UK

Sinn Féin wants talks link renewed

By Tim Coone and David Owen

Sinn Féin leaders are to insist at the party's annual conference in Dublin this weekend that a direct channel of communication with the British government must be reopened if the Northern Ireland peace process is to move forward.

Mr Gerry Adams is today expected to use a keynote speech to refer to "positive aspects" of the Downing Street declaration but to stop short of giving the document his approval.

The Sinn Féin president will focus on what he sees as the declaration's shortcomings on the issue of Irish self-determination.

But as republican leaders responded favourably to this week's efforts by London and Dublin to address nationalist concerns about their joint initiative, Anglo-Irish tensions were heightened by an Irish High Court decision to free a terrorist suspect wanted for questioning over the murder of a soldier.

Mr Joseph Magee, 27, from Armagh, was released after Mr Justice Fergus Flood ruled that the alleged offence of killing a soldier in Derby was a political one for which he could not be extradited.

Meanwhile, mounting unionist hostility towards the direction of the initiative was underlined when Mr John Taylor, a senior Ulster Unionist MP, urged his party leadership to boycott new political talks.

The IRA's political wing yesterday reacted positively to an article published in the Irish News, the Belfast-based nationalist newspaper, in which Mr John Major, the prime minister, made an eve-of-conference appeal to republican leaders to embrace the peace process.

Mr Mitchel McLaughlin, Sinn Féin's Northern Ireland chairman, said Mr Major's statement deserved "very, very careful study". He said the article - along with a number of recent speeches by senior ministers - had been "of assistance".

Mr McLaughlin said an offer of a temporary IRA ceasefire made last year during the secret negotiations between the British government and Sinn Féin was "still on the table".

Mr Major emphasised in the article that the joint declaration left "no conceivable reason for continued violence" and that London would not "try to persuade people to go for Irish unity".

But he combined this unconvincing message with a vision of the possible outcome of political talks designed to reassure nationalists.

After yesterday's Irish High Court decision Mr Michael Mates, the former Northern Ireland minister, said the case was "another example of what we have been complaining about to the Irish for a long time. Their extradition laws are flawed. They have acknowledged they are flawed."

King of the video jungle

Total video retail sales (£m)



Source: BVA

Children's cartoons help video sales surge

By Michael Skapinker, Leisure Industries Correspondent

The story of Mowgli, a boy brought up by some kindly wolves, a conscientious panther called Bagheera and a happy-go-lucky bear named Baloo helped boost UK video sales by 27 per cent last year to £527m.

The Walt Disney version of Rudyard Kipling's *Jungle Book* appeared in video form last October. By Christmas it had sold 4.5m copies, making it Britain's best-selling video.

Jungle Book provided a substantial boost to what the industry calls "sell-through" - outright sale of videos as opposed to rental.

Jungle Book and several other Disney stories helped children's videos to capture 37 per cent of the UK market,

overtaking feature-film videos for the first time. The viewers might have been children, but the buyers were parents who first saw many of the films in the cinema when they were children.

Jungle Book made its cinema debut in 1967. Disney's *Peter Pan*, another of last year's best-selling videos, first appeared in the cinema in 1953. Other best-sellers, all Disney products, were *Beauty and the Beast* and *The Muppet Christmas Carol*.

The British Video Association said 600m videos were sold last year, 28 per cent more than in 1992. This means the number of videos sold exceeded music cassette sales for the first time. The number of cassettes sold last year was 55.7m. Video sales are, however, still some way behind

compact discs, which sold 92.2m last year.

Ms Lavinia Carey, the association's director-general, said: "Long gone are the days when the video industry could be regarded as a poor relation of the cinema or record industry. It has grown up much faster than its elders and there is no reason to think this will not continue."

The association said feature films accounted for 35 per cent of the video market, with *The Bodyguard*, starring Kevin Costner, at the top of the list.

Videos of television programmes accounted for 10 per cent. Sport and fitness videos made up 5 per cent of sales, with *Cher Fitness* topping the charts. Music videos accounted for 4.5 per cent of sales, with the Manchester band Take That producing the best-seller.

Higher training targets called for

By Lisa Wood, Labour Staff

Employers yesterday warned the government that national targets for the attainment of vocational qualifications and their academic equivalents may be too low if the UK is to compete effectively in the future.

The warning came from the employer-led National Advisory Council for Education and Training Targets at a conference to present its first annual report on progress towards the targets. These were established by the Confederation of British Industry with the government's backing.

The council says that one of the main targets for the year 2000 is likely to be reached: for 50 per cent of young people, up to and including 21-year-olds, to have reached a level-three National Vocational Qualification or its academic equivalent of two A-levels. At present 37 per cent of young people have reached this skill level.

The report suggests, however, that the UK should be aiming higher. "International comparisons point to the need to do so," it says. "In Japan 86 per cent of young people reached a comparable level in 1986 and in France the target is 80 per cent by the year 2000. "Achieving 50 per cent - even before 2000 - is unlikely to bring a significant improvement in the UK's competitiveness."

Another target that may be too low, says the council, is that which aims for 50 per cent of the workforce to be qualified to at least NVQ level three or its academic equivalent by the year 2000.

Mr John Edmonds, general secretary of the GMB general union, said the decision was a further infringement of the civil liberties of union members and would ensure that the government was embarrassed by public censure from the International Labour Organisation at its conference in June.

In practice the decision is unlikely to be much more than a bureaucratic chore for unions, most of whom have the names and addresses of members on computer. Yet union officials say that naming those balloted invites pressure from employers and could involve a civil liberties issue where unions are not recognised and an employer does not know who is in the union.

Mr Edmonds, general secretary of the GMB general union, said the decision was a further infringement of the civil liberties of union members and would ensure that the government was embarrassed by public censure from the International Labour Organisation at its conference in June.

Mr Michael Heseltine, the trade and industry secretary, told the conference that winning in world markets depended on improving the skills of the workforce.

Mr Heseltine is preparing a white paper on international competitiveness, to be published in May. The role of improved skills is expected to be an important theme.

Energy Saving Trust faces threat from funding row

By Bronwen Maddox, Environment Correspondent

A new threat to the future of the Energy Saving Trust, one of the main planks of the government's environmental strategy, has emerged in talks between Whitehall departments.

Officials are concerned that the trust's investments, intended to reach £400m a year by the end of the decade, could be classified as public spending rather than private sector.

The trust, which is the largest single part of the government's plans for meeting inter-

national targets on global warming, is intended to find projects to help gas and electricity customers use energy more efficiently. The government wants British Gas and the electricity companies to pass on the project's costs through consumer bills.

However, the financing plans have met with fierce opposition from Ms Clare Spottiswoode, director-general of Ofgas, the gas regulator.

Mr John Gummer, environment secretary, is meeting Lord John Moore, former cabinet secretary and the trust's chairman, on Tuesday to try to resolve the problems.

trust's schemes would push them up.

Officials from the environment and industry departments and the Treasury have discussed whether the government will need to legislate to impose a levy on customers' bills to overcome Ms Spottiswoode's objections. Projects funded by a levy are likely to be counted as public spending.

Mr John Gummer, environment secretary, is meeting Lord John Moore, former cabinet secretary and the trust's chairman, on Tuesday to try to resolve the problems.

Appeal court upholds college strike ruling

By David Goodhart, Labour Editor

The Court of Appeal yesterday upheld a controversial High Court ruling which means that in future trade unions are likely to have to give employers the names of all members participating in strike ballots.

The decision drew strong protests from union leaders who complained of an attack on civil liberties.

As a result of the ruling by Sir Thomas Bingham, Master of the Rolls, next Tuesday's one-day strike at 355 colleges of further education was called off by Natfhe, the college lecturers' union. The union has been in dispute for more than a year over the introduction of flexible contracts.

On Thursday Mr Justice Morison granted an injunction to Blackpool and the Fylde College banning the strike because college employers had not been given the names of union members being balloted.

That decision was based on a change to the 1992 Trade Union and Labour Relations Act, which became law last summer, stating that a union must "describe the employees of the

employer" whom it is reasonable for the union to believe will be entitled to vote in the ballot.

Trade Union Congress and union officials say government ministers had indicated that the purpose of the clause was to prevent unions from surprising large employers over which groups of workers they planned to call out on strike, and that it was not about the naming of individuals.

Mr John Edmonds, general secretary of the GMB general union, said the decision was a further infringement of the civil liberties of union members and would ensure that the government was embarrassed by public censure from the International Labour Organisation at its conference in June.

In practice the decision is unlikely to be much more than a bureaucratic chore for unions, most of whom have the names and addresses of members on computer. Yet union officials say that naming those balloted invites pressure from employers and could involve a civil liberties issue where unions are not recognised and an employer does not know who is in the union.

Visible trade deficit with non-EU countries widens

By Philip Coggan, Economics Correspondent

The visible trade deficit with countries outside the European Union widened to £785m in January, from £57m in December.

Imports rose 2.4 per cent over the month to reach a record £5.88bn. Exports increased 1 per cent to £5.12bn.

Figures from the Central Statistical Office show that the trend in the volume of British trade is deteriorating, but this is being disguised by an increase in export prices. The so-called "terms of trade", the balance between export and import prices, reached a record of 114 in January (1990=100).

In the three months to January export prices were 2.5 per cent higher than in the previous three months. Import prices were unchanged.

The CSO estimates that, in value terms, the trend in non-EU trade has been for both exports and imports to rise by 2 per cent a month. In volume terms, however, exports are rising by 1 per cent a month and imports by 1 per cent.

In the three months to January export volumes, excluding

oil and erratic items, have fallen 1 per cent from the previous three months. Import volumes have risen 3.4 per cent. This has been partly caused by an unusually high export total in October.

Mr John Marsland, economist at UBS, said: "Without the support of improving terms of trade the prospects for the trade deficit in 1994 are bleak."

The main falls in exports in recent months have been in semi-manufactures and in food. Basic materials and semi-

manufactures have been in the main categories where imports have risen sharply.

If oil and erratic items - such as precious stones and diamonds - are excluded the deficit in January was £272m, compared with £478m in December.

Trade figures for non-EU countries are recorded separately from trade with countries in the union. Figures for the latter are use the new Intra-Union system based on value added tax returns and are reported later.

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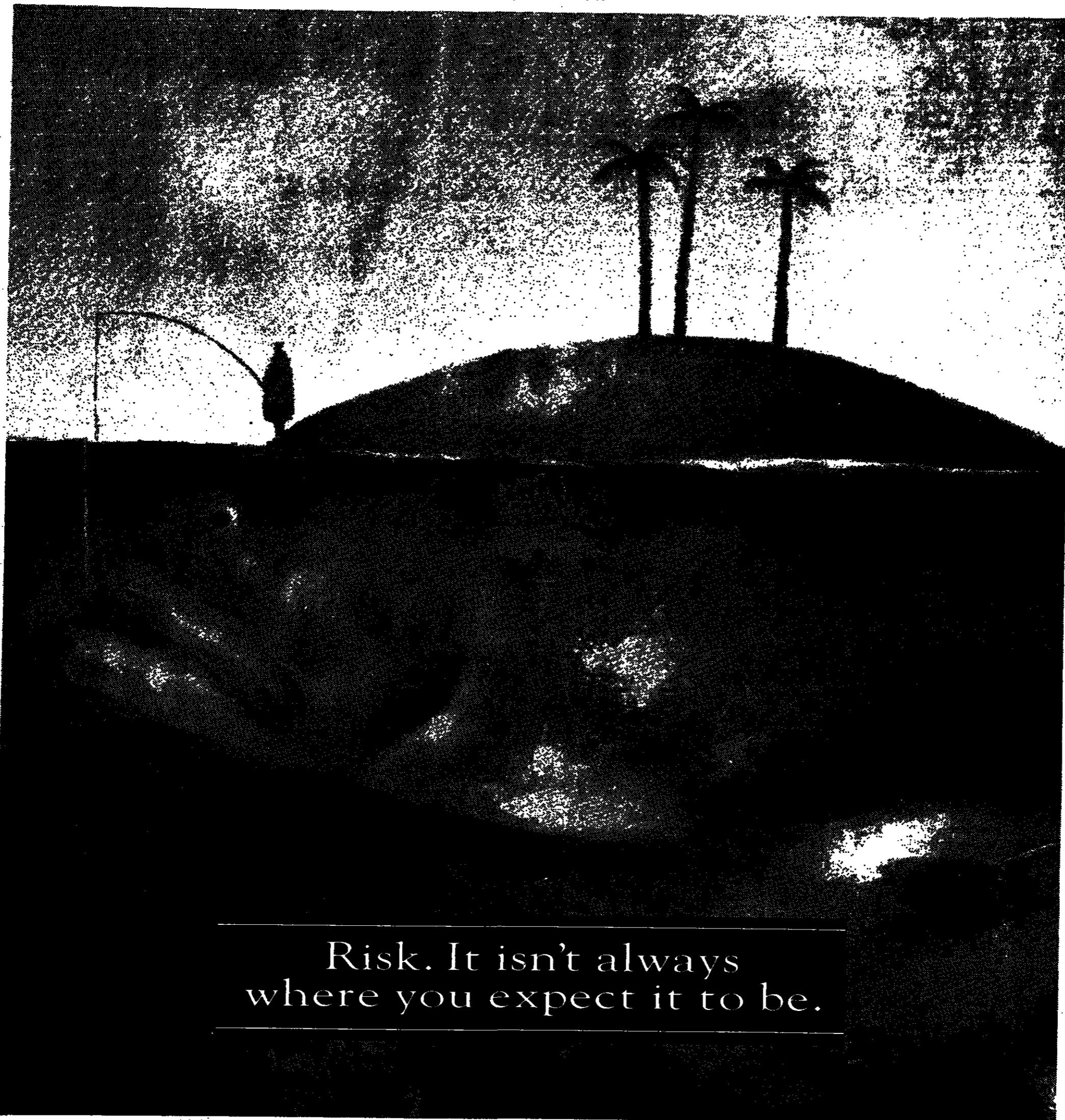
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Saturday February 26 1994

Bond market's bull is gored

All good things, including global bull markets in bonds, come to an end. The question is whether now is such a time. It might be – not because inflation is about to explode, but because there is little reason to expect it to fall much further either. By the beginning of this year, nominal long-term interest rates had fallen as far as economic fundamentals justified. Given that any shock should be enough to generate a correction.

The Federal Reserve's decision to raise short-term interest rates in early February provided just such a change. The caution about base rate cuts expressed by Mr Kenneth Clarke's six "wise men" this week may have added one for UK gilts. Realisation of just how cautiously the Bundesbank intends to lower interest rates may have had a similar effect on other European bond markets.

Two points about the background to the bond market correction must be remembered: the first is that nominal long-term interest rates had fallen to remarkably low levels by the end of 1993 and the second is that falls in recent years have been hugely rewarding.

In the US, for example, long bond yields bottomed out in October 1993 at 5.2 per cent, this being not only a sharp fall from the cyclical peak level of 9.3 per cent experienced in 1989, but also a level not seen since the early 1970s. Japanese long-term yields had fallen from 7.8 per cent in September 1990 to 3.1 per cent in January 1994, a level achieved once before, briefly, in 1987.

Even in Germany, records have been struck. The long-term interest rate reached 5.5 per cent at the beginning of this year, down from around 9 per cent in 1990. In the last 25 years, long bond rates have been below 6 per cent only in 1978 and 1986-87. As for the UK, long-term bond rates peaked in 1990 at nearly 13 per cent, before declining to just above 6 per cent in early 1994, levels not seen since the first half of the 1980s.

Speculators' fortunes

After two miserable decades, during which long-term bond investors have been plucked like so many chickens, yields have plummeted to the levels of before the great inflation. In the process, speculators have made fortunes. The question is not so much why this may have stopped, but whether it made sense for the rally to go so far in the first place.

Start with the fundamentals. The long-term rate of interest ought to reflect the real rate of interest, plus inflationary expectations. A good indication of the former is provided by the British government's index-linked gilt, whose

yield fell to about 2 per cent in late 1993, down from a peak of 5 per cent at the time of sterling's expulsion from the ERM.

There are two reasons for this sharp decline. One, which is UK-specific, is the disappearance, following sterling's depreciation, of the expectation that the currency would have to depreciate. The second is the realisation that the global demand for capital would remain sluggish for a fairly long period.

Given the interconnection of the global capital markets and the absence of powerful expectations of further real exchange rate changes, the UK real rate of interest provides a global benchmark. If so, it suggests that long-term inflation expectations could have been as low as 1 per cent in Japan and about 3-4 per cent in Germany, the US and even the UK.

Profitable business

Bond yields could go much lower than they were, on a sustained basis, only if there were further downward revisions of inflationary expectations. How likely was this to happen? Rates of inflation in the US, for example, could average 2 per cent over the next decade, but they could easily average 4 per cent.

Speculation also enters the picture. If short-term rates of interest are below long-term ones, there is no carrying cost to borrowing short term in order to invest long term. If bond yields are expected to fall, this looks a highly profitable business. So it has been for US banks.

The expectation of short-term gain cannot continue forever. A rise in the cost of short-term borrowing is likely to achieve precisely this result, by increasing the cost of speculation on further increases in bond prices and driving speculators from the buying side of the market.

The action of Mr Greenspan's Federal Reserve in early February simply prickled the speculative element in the US bond balloon. Nothing he said this week suggests he is particularly worried about inflation. Nor, for that matter, were Mr Clarke's wise men.

Speculation on further declines in bond yields looks more costly.

Since the real yield on index-linked gilts has itself risen by half a percentage point from its trough, the worldwide rise in bond yields can only be partly due to deteriorating inflationary expectations. Higher real rates of interest would reflect the end of speculation, but also the growing plausibility of recovery. Either way it is nothing to worry about, except, of course, for those who have been caught short.

The massacre of Palestinians during prayers at a mosque in the occupied West Bank town of Hebron yesterday is more than an enormous personal tragedy and a blow to Middle East peace hopes. Carried out by an American-born Jewish settler on a Friday in the Moslem holy month of Ramadan, the killings are also laden with symbolism which can be used by Islamic extremists throughout the region to stir emotions against Israel, established Arab regimes and their western allies.

The attack could not have been more critically timed to cut the ground from under the embattled Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, whose leadership has been under increasing assault from within his own community since he agreed an outline peace accord with Israel last year.

Few debates are more anguished than that raging over the future of the Palestinian people. After more than four decades of struggle, bloodshed, occupation and exile, the Palestinians appeared to be on the brink of decisions which could decide their place in the Middle East.

Having said "no" to every proposed solution since the formation of the state of Israel in 1948, PLO leaders have begun to say "yes" to proposals which fall painfully short of the aspirations they nurtured for so long.

On September 13 in Washington the PLO signed a declaration of principles with Israel which provided for mutual recognition, and a series of signposts pointing in a number of different directions. Not only did the two sides disagree about where they are heading, but within Israel, and the wider Palestinian community, the range of opinions multiplied and diverged still further.

Yesterday's murders will have stirred a deep well of Palestinian emotion. But the strength of the declaration of principles still rests on the unstated fundamentals on which it was built. First, the Palestinian acknowledgment that the Arab inability to impose a military solution on Israel had been made absolute by the collapse of the Soviet Union. Second, that Israel wanted to rid itself of the Gaza Strip, a territory where the decline in living conditions has given birth to a more virulent form of Palestinian militancy which campaigns under the flag of radical Islam. To combat those forces after withdrawal, Israel needs the PLO. Perhaps, after yesterday's killings, Israel needs the PLO even more.

The coincidence of interest between Mr Yitzhak Rabin, Israel's prime minister, and Mr Arafat, brought the two sides together secretly in Norway and, ultimately, the two men to a public handshake in Washington. But behind the international applause, the flames of an internal Palestinian debate had been fanned into a blaze from which a new unity of purpose might be forged, or an even bigger disaster ignited.

Hero, or traitor? Pragmatic, wise, national leader, or vain, incompetent autocrat? The praise and accusations have swirled around the head of Mr Arafat for the past five months. In Tunis recently, as he sat in front of a wall-size colour photograph of Jerusalem, gun on hip and ball-point pen tucked into the sleeve pocket of his olive uniform, Mr Arafat appeared an unlikely subject for such strong emotions. He was worried about the slow pace of negotiations with Israel, anxious

and yesterday they again demanded a return to armed struggle. Others, such as Dr Shafiq, dislike the agreement, but would like to see if it can be improved. Still more say they fear Mr Arafat is incapable of sharing power, will not delegate, and ultimately will frustrate Palestinian ambitions for an open democratic system of self-government following Israel's military withdrawal or redeployment in the West Bank and Gaza. In short, he will be like most other Arab leaders.

Since September 13, Mr Arafat

has had little ammunition with which to fire back. Today he may have even less. The Israelis did not begin to withdraw troops from Gaza and the West Bank enclave of Jericho as scheduled on December 13, and Mr Rabin said earlier this week that it could be at least another month before the pull-back begins.

Support among Palestinians for the peace process had declined sharply even before yesterday's events. That, too, is Mr Arafat's

fault, according not just to Mr Rabin, but also to the group of Palestinians around Abu Mazen (proper name Mahmoud Abbas) who masterminded the negotiations in Norway.

The Abu Mazen group ("We are known here as the Jewish agency," he said recently with a smile)

You cannot change an elephant into a lion by sending it a letter, roared Edward Said

target approach to Mr Arafat's failings, other critics have been more selective, if no less damning. Some, including radical Palestinian groups based in Damascus, believe the September 13 agreement represents total capitulation to Israel. For them it is a betrayal of everything Palestinians have ever fought for,

believes Mr Arafat has wasted valuable time by trying to insert into the Washington accord more symbols of a nascent state. Abu Mazen has concluded that, because agreement almost impossible on many long-term theoretical issues, such as a future state or the status of Jerusalem, the Palestinians should take

whatever they can on the ground and work from there.

A senior western diplomat in Tunis in regular contact with the PLO agrees, but argues that the delays are not solely Mr Arafat's responsibility. "There is no doubt that, to answer all the criticism, Arafat has been trying in every way he can to show that an independent Palestinian state remains his eventual goal. But at the same time he is up against Rabin, who will not play a card unless he is assured of winning the trick. The Israelis want peace, but only on terms set by them and Arafat is coming to realise what that means."

Mr Arafat's frustration shows through with frequent references to his determination to prevent the creation of a Palestinian bantustan – an entity with the outward symbols of statehood but none of the powers. "The Israelis are tough, unbelievably tough," he said recently. "They make everything into a security issue, even small things which should be dealt with in just two lines. We need to reach agreements. We have to get back the momentum, because the whole process is losing support."

Abu Mazen believed, at least until yesterday, that the momentum and the support for Mr Arafat could be won back the moment the PLO leader took his first step on to Palestinian territory. "There will be one million, maybe two millions there to greet him. Israeli Arabs will be there and Jews from the Meretz party and the Peace Now movement. It will be a bigger event than the September 13 signing. All the support will come back to Arafat, but he must get there as soon as possible," he said.

After yesterday it might appear less likely that Mr Arafat will be heading soon to the occupied territories. But much will depend on how the Palestinian leader reacts to the Hebron massacre. And that, in turn, may rest with Mr Rabin.

Reports from Israel yesterday suggested that among many people there was a surge of shame and grief over what had occurred. For those most actively involved in seeking the implementation of the Washington accord, the killings were a tragic reminder of the need for speed and a swift withdrawal of Israeli troops from Palestinian centres of population, such as Hebron. The massacre further underlined the explosive potential of the Jewish settlements spread throughout the West Bank, Gaza and the Golan Heights.

If those factors contribute to a more flexible and generous Israeli approach to negotiations with the PLO, Mr Arafat and the September 13 agreement could survive in better shape than seems possible today. Close aides of Mr Arafat and western diplomats in Tunis equally believe there is no doubt that he could walk away from the agreement, should he conclude that Palestinian national rights could not be secured under the present deal, or that too large a part of popular opinion was turning against him.

"Yasser Arafat is the only truly national leader we have," a close aide said recently. "There is no one else, despite all the criticism. Only he had the courage and the stature to sign the September 13 agreement. No one else could have got away with it. He also can break the agreement. If that is what is necessary, knowing how appalling the consequences will be, not just for the Palestinian people, but for Israel and the rest of the Middle East."

WOMAN IN THE NEWS: Colette Bowe

Survivor in turbulent seas

It is an industry where aggressive sales pitches – to the regulators as well as to customers – are a fact of life, Ms Colette Bowe, chief executive of the Personal Investment Authority, is earning a reputation for toughness.

"She can stand up to the big boys," says a colleague on the PIA.

When planning was under way for the embryonic authority, the regulatory organisation to oversee retail financial services, Ms Mick Newmarch, chief executive of Prudential, the UK's largest life insurer, launched a bitter attack on the proposals. Last summer he called for a full-blown statutory system of regulation.

Ms Bowe kept quiet at the time. Even now, it is only through a colleague that the degree to which she was "pretty fed up" has emerged.

Then, Ms Bowe was in charge of retail financial services at the Securities and Investments Board, the City's chief watchdog and the PIA's parent regulator. She moved to her present post in January when it was still not clear whether the dispute over the composition and role of the PIA would result in it being stillborn.

There was agreement among the industry's practitioners that a single regulatory organisation was needed to replace La Trove and Fimbra, which oversee life insurance companies and independent financial advisers respectively. But for months the PIA had been dogged by a series of setbacks. Its chairman, Sir Gordon Downey, had departed abruptly last autumn amid complaints about lack of progress. And there was a seemingly endless debate about the form of regulation and the standards of selling which should be applied throughout the industry.

Now the mood seems to have changed a little. Standard Life, a leading UK insurer, said this week that despite its preference for a statutory system, it was likely to join the PIA. Criticism has subsided in the wake of the authority's prospectus, released this week, which has contributed to a grudging acceptance that the PIA will come into being this summer.

This shift in attitude can be partly attributed to Ms Bowe's appointment. She is both a symbol and a cause of the PIA's new-found confidence. "The difference in staff morale has been tremendous," said one PIA board member.

Industry insiders believe she would not have joined a sinking ship, but they also acknowledge that her managerial skills have helped to put the ship on the right course.

Her talent for political survival was honed the hard way, as chief press secretary at the Department of Trade and Industry during the 1986 Westland affair. The row over the future of the UK helicopter company led two cabinet ministers – her boss Sir Leon Brittan and Mr Michael Heseltine, then defence secretary – to resign and almost caused the downfall of Mrs Margaret Thatcher.

Ms Bowe played a starring role. She leaked to the Press Association news group the extracts of a letter from the solicitor-general, which appeared to support the DTI argument for allowing Westland to link up with Sikorsky of the US. Mr Heseltine on the other hand wanted to find a European solution for Westland.

Ms Bowe, although cleared by a Commons select committee inquiry of any wrongdoing in leaking the letter, stayed only about a year at



the DTI, given the ensuing sour atmosphere at Westminster. So sensitive is the issue that even now she will not talk about it – she will not even discuss why she will not talk about it.

In 1987, aged 40, she was head-hunted to join the Independent Broadcasting Authority, the commercial television watchdog, as director of information. Two years later – with the fortuitous timing that has become a hallmark of her career – she was headhunted again, by the SIB. Her job combined a public affairs function with a regulatory role dealing with investment management. A week after her move was announced, the government proposed abolishing the IBA, and replacing it with the Independent Television Commission.

At the SIB, which was in a formative period, Ms Bowe found herself implementing the financial services legislation which had been one of the main concerns of the DTI while she was press secretary.

Her civil service training of serving different political masters proved useful. She prospered under the contrasting regimes operated by Sir David Walker, SIB chairman until 1992 and Mr Andrew Large, his successor.

For much of Sir David's time, the SIB concentrated on rewriting rules for an industry which the regulators thought was made up mainly of "good guys". Mr Large's approach has been more sceptical and probing, scrutinising areas previously left relatively untouched, such as the suspect sale of personal pensions.

At the PIA Ms Bowe will have more scope for setting her own agenda. One former colleague who admires her as an administrator expresses some concern about her attitude towards investor protection. "She was at the SIB arguing against the Office of Fair Trading proposals to make sales agents disclose their commission," he recalls.

Ms Bowe's response to the debate about statutory versus self-regulation for the industry is instructive in its pragmatism. "The question I ask," she says, "is not whether it's statutory or self – but whether it's effective regulation."

She knows the Treasury and the SIB – her ultimate masters – see it as her job to deliver effective investor protection, and it is unlikely she would have taken on the role had she felt it was impossible.

Given her timely exit from her earlier job at the IBA, Ms Bowe's erstwhile SIB colleagues should perhaps be rather nervous. For one suggestion being floated by some financial services practitioners is to scrap the SIB and run single-tier regulation through the PIA alone. That is an unlikely outcome but before the PIA could conceive of becoming as powerful as the SIB, it first has to start work. Arousing enthusiasm rather than resigned acceptance in the industry is a priority. Ms Bowe must become chief cheerleader.

Alison Smith

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Enlargement - extending the European Union north to the Arctic Circle and east to the Hungarian frontier - was supposed to be a breeze.

The new members - Finland, Sweden, Norway and Austria - are rich market economies, with per capita incomes higher than the EU average. Moreover, these four, plus Iceland, had already assented to more than 1,400 laws governing freedom of movement for capital, labour, goods and services when they set up the joint free trade zone with the Union known as the European Economic Area. This 13,000-page treaty, which came into force this year, surely exhausted most of what there was to negotiate on full membership of the Union.

There would no doubt be hiccups over the obsolete tradition of neutrality of all the applicants except Nato member Norway, it was generally thought. But then in a post-cold war world - releasing the east and central Europeans into the queue to join the EU - surely nobody could afford to resist the magnetic pull of the European market?

As batteries of ministers from the 12 existing and four would-be members assembled in Brussels last night for what is billed as the final, marathon round of the enlargement negotiations, there are serious worries. Both sides doubt whether the deadline for concluding the talks at midnight on February 28 will be met, and whether all four applicants will ever make it into the EU.

The difficulties have been underestimated: in timing, in the substance of the negotiations, and in what might be described as cultural differences between the Union and the Nordic countries.

The Union's self-imposed deadline was set to permit the four to enter by January 1 1994. The EU goal was to demonstrate the dynamism of the new Union to the public, whose enthusiasm for EU integration is ebbing fast.

But Euro MPs, up for re-election in June, must approve the accession treaty between March 10 and May 4. There is no certainty they will get either a text to examine or - with election campaigning likely to reduce normally poor attendance at the European Parliament even further - a

"The Gotthard was anciently perhaps the most frequented passage over the Alps, as it offered the most direct and practicable line of communication from northern Switzerland and western Germany, to Lombardy, and the important cities of Milan and Genoa. Not less than 16,000 travellers and 3,000 horses crossed it annually on the average, down to the commencement of the present century" - Murray's Handbook for Travellers in Switzerland, 1858

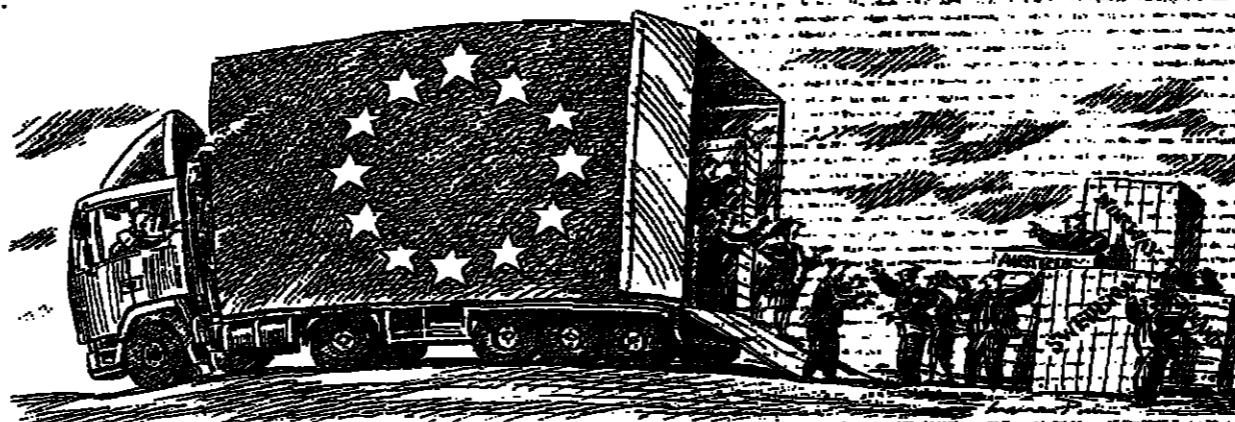
The problem is the pollution," says Mrs Marie-Therese Hogg, a young housewife and mother of two in Andermatt, a Swiss village in the middle of the Gotthard pass.

Mrs Hogg was not referring to horses, but to the 2,500 trucks a day that have replaced earlier forms of transport on the ever popular trans-Alpine route. While in previous centuries, travellers and their carriages brought prosperity to the tiny Swiss canton of Uri that hinders the Gotthard, the trucks bring only misery.

"My older son has asthma. Our family doctor says the incidence of asthma here is far higher than normal," Mrs Hogg says.

Not yet on board for the ride

David Gardner on the likely delays to enlargement of the EU



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Opinion in Finland and Austria has been more or less evenly split, with a slight advantage for the Yes camp. More Swedes want to stay out than go in, but the opposition Social Democrats could change that if they win September's elections. In Norway, however, where voters rejected membership in 1972, there is a solid majority against the EU, even though the pro-entry cause is inching forward.

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COMPANY NEWS: UK AND IRELAND

BAe answers criticism of BMW/Rover deal

By John Griffiths

British Aerospace tried "for months" to reach agreement with Honda on a reorganisation of Rover Group, BAE shareholders have been told in a letter setting out the details of its intended sale of Rover to BMW of Germany.

Asked them to approve the sale at an extraordinary meeting to take place on March 15, Mr John Cahill, outgoing BAE chairman, counters criticism of what has been described as a "betrayal" of Honda's 15-year partnership with Rover.

For BAE to have gone along with Honda's proposals for restructuring would have required it to provide contin-

ued "substantial" financial support for Rover while remaining as a large minority shareholder. Mr Cahill says in his letter:

"Honda wanted each to hold a stake of 47.5 per cent, with the remaining 5 per cent allocated to Rover's employees."

Under the terms of the sale, BMW will buy the entire issued share capital of Rover and Rover USA, which controls Rover's sales activities in North America, for £200m cash. Of the sale price, £250m will be payable on completion of the deal, with the balance of £240m payable on June 30, plus interest from the initial completion date.

In addition, BMW is assum-

ing Rover Group borrowings of about £200m and responsibility for further off-balance sheet funding of some £700m.

Although the sale will generate much-needed cash for BAE, it will also put the group in breach of its own borrowings limits unless shareholders approve further changes on March 15.

Its articles of association currently restrict borrowings to a maximum of 150 per cent of adjusted capital and reserves. Since the sale will reduce shareholders' funds by nearly £200m, this limit will be breached once the sale is completed. Shareholders will be asked to raise the borrowing ceiling to 250 per cent.

MAI cashes in Havas stake

By Peggy Hollinger

MAI, the broadcasting and money-borrowing group, is cashing in its stake in Havas, the French media combine, some four years earlier than anticipated.

The move eliminates the last vestiges of MAI's links with Mills & Allen, the outdoor advertising company which gave the UK group its name and was merged into the French company in 1988.

MAI announced yesterday that it had sold its 3 per cent

convertible bond holding in Havas - which represents a 1.5 per cent stake in the French group upon conversion - in the market for FF1391m (£44.8m).

The stake has risen in value by 17 per cent over the last year, as falling French interest rates increased the attraction of convertible bond investments. MAI is thought to have decided that it would derive greater benefit from the cash, as further substantial progress was considered unlikely before the redemption date. The stake was redeemable in December 1997 for about £50m.

MAI said proceeds would be used for "general corporate purposes". However, if applied to reduce debt, the deal will leave it virtually unguaranteed after its Anglia Television bid, which was given the go-ahead this month.

MAI's stake in Havas is the legacy of the 1989 merger by the two groups of certain media interests into Avenir Havas Media. In 1992, MAI swapped its 15.2 per cent stake in Havas for the convertible bond holding.

North of England BS falls 19%

By Alison Smith

North of England Building Society yesterday announced a fall from £18.7m to £13.5m in pre-tax profits for the 1993 year.

The decline was against the trend of recent announcements in the sector which have shown significantly increased profits.

The 19 per cent fall, struck after an exceptional profit of £1m from the sale of its Sunderland headquarters, was due mainly to increased provisions, totalling £2.58m, for mortgage losses and the need to compensate customers of its independent financial advice service who suffered as a result of mis-selling.

Gross mortgage advances fell to £168.3m (£288.5m). There were reductions in net interest receivable at £25.3m (£26.7m) and other income and charges at £6.9m (£7.37m). Total assets rose to £1.51bn (£1.42bn).

Honeysuckle advances 39% to £834,000

By Jennifer Lien

Honeysuckle Group, the USM-quoted designer of women's wear, lifted pre-tax profits by 39 per cent from £601,000 to £834,000 in the half year to November 30.

Turnover rose 44 per cent from £28.83m to £12.7m.

Operating profit jumped 44 per cent to £915,000 (£635,000). Net interest payable, however, rose from £34,000 to £81,000.

An interim dividend of 1p (0.75p) is declared, payable from earnings of 6.7p (5.5p) per share.

Groupe Chez Gérard on stock market menu

By David Blackwell

Some of London's most fashionable eating places are to be floated on the Stock Exchange at the end of next month.

Groupe Chez Gérard owns Bertorelli's in Covent Garden, Cafe Fish off Haymarket, Soho Soho in Fins Street and three Chez Gérard restaurants. It also operates and has a 25.5 per cent stake in Chutney Mary in Chelsea.

The group is expected to have a market value of over £17m after the flotation, which is expected to raise between £3m and £5m of new money. The shares will be placed with

Fleming Japanese raises £162m in conversion issue

By Bethan Hutton

A conversion share issue by Fleming Japanese Investment Trust has raised £162m, making it the largest investment trust in the sector to a premium to net trust C share issue on record.

The institutional placing accounted for £24.9m of the total, after which the maximum size for the trust was set at £250m, so that there would be no need to scale back applications in the public offer.

The trust is already the largest fund in its sector with assets of £305m, and the issue will increase that by more than 50 per cent.

Heavy demand for funds

offering exposure to the Japanese market, at a time when recovery is expected to take off, has pushed the share price of most investment trusts in the sector to a premium to net trust C share issue on record.

Fidelity Japanese Values, a new investment trust specialising in smaller companies which is currently in its public offer period, has also experienced strong demand from institutions.

Conversion of the Fleming C shares is expected to take place on March 21, when dealings in the new shares will start. One warrant will be attached to every five shares.

Shake-up for top management at Burton

By Neil Buckley

Burton, the fashion retailing group, is shaking up its management by appointing chief executives to oversee the strategic planning of its retail multiples. Mr Stuart Rose, who took over as managing director of Dorothy Perkins last

year, has been appointed to the new position of chief executive of Burtons, Dorothy Perkins, Evans and IS.

Mr Terry Green, Debenhams chief executive, is additionally becoming chief executive of Top Shop and Top Man. Mr Martin McNamee and Mr Nick Hollingworth remain in their positions.

Renold rolling along for more than a century

David Blackwell

on a chainmaker for fairgrounds, forklifts, supertankers and jump jets

The bush roller chain, invented for the bicycle more than a hundred years ago, must qualify as a design classic.

It is a simple concept that works well, and has been around for a lot longer than many acknowledged classics such as the Zippo cigarette lighter and the Anglepoise lamp.

It was patented in 1880 by Hans Renold, a Swiss-born engineer. A year after he founded a company in Manchester to make chains for bicycles.

Its applications in the late 20th century include the mechanism for controlling the vector thrusts in Harrier jump jets, fairground rides, car engines and printing machinery.

The company that still bears his name no longer makes bicycle chains, but it remains the second biggest chain producer in the world, after Tsukuba of Japan.

While the Renold group also makes gears and compressors, chains still represent 61 per cent of sales, which totalled

just over £125m in the year to March 1993.

Last November, Renold announced a trebling of interim pre-tax profit to £2.4m in turnover ahead 12 per cent at £65.4m.

Mr David Cotterill, chief executive, said the company was beginning to reap the benefits of its capital investment programme. City analysts are looking for pre-tax profits for the current year of about £5m, compared with £1.2m in 1992-93 and loss of £23m the year before.

While the basic components of inner and outer sideplates, pins, bushes and rollers have remained unchanged, the method of manufacture has changed dramatically.

Mr Ian Trotter, group director for chains, points out that a chain is a linked section of bearings, and needs the same precision in manufacture as bearings do. "That's where Renold's expertise is highly regarded."

Over the past three years Renold has reorganised its chain manufacturing into three main centres. The big

gest factory is at Einbeck in Germany, where all the medium chain - 1/4 inch to 1/2 inch - and forklift truck chain is made.

The plant at Calais makes the timing chain used in car engines to drive camshafts. The market for this is increasing in spite of falling world vehicle production as chain retakes market share from belts.

The Manchester operation concentrates on large chain, from 1 inch up to 5 inch. It moved from Burnage, where manufacture and assembly were carried on in two separate factories, to Bredbury in 1990.

The investment in the new factory and cellular production was part of the group's £33m capital investment programme between 1989 and 1992.

Since the move, production of all 1 inch and 1 1/4 inch chain has become automated, cutting out at least three production processes. Most of the volume sales from Bredbury are in 1 inch chain, which is used extensively in machinery in many industries, such as pack-

When loyalty loses to commercial strategy

David Wighton on LWT's fight to avoid becoming part of the Granada Group

Their £50m worth of shares may provide a little consolation, but there was no disguising the disappointment of LWT's directors yesterday.

They felt badly let down. Shareholders had sold out to Granada rather than stick with the team that had delivered them such sparkling returns over the past four years.

Sir Christopher Bland, chairman, did not conceal his feelings about Mercury Asset Management, LWT's largest shareholder, which accepted Granada's offer on Thursday.

"We have performed outstandingly well, particularly for MAM, and I think we were entitled to their support when we needed it."

Some observers have seen MAM's decision as another example of the ruthlessness, short-termism of some institutional investors.

"I can't remember when a management with such a good record was not backed in a hostile bid," said one analyst yesterday.

If the LWT deal was not backed in a hostile bid, "it would be a great price."

Plans for a link with Yorkshire-Tyne Tees and Anglia came unravelled almost immediately. The more promising talks with US West, which expressed interest in taking a 29.9 per cent stake in LWT, were cut short when the Takeover Panel refused to allow the US telephone giant to make a formal approach.

Hoped that LWT would be saved by a referral to the Monopolies & Mergers Commission were also quickly dashed. The takeover clock was stopped for a week while the Office of Fair Trading considered the concentration of advertising market share following a successful bid. But the clock restarted after Granada undertook to limit its share of UK television net advertising revenue to 25 per cent by August 31 1995.

That left LWT's defence relying largely on its 1993 profits forecast, showing a 43 per cent increase on the previous year.

Granada, attempted to cast doubt on the figures - making claims it was subsequently forced to retract by the Takeover Panel - but that was

inconsistent with management actions," said one institution.

Most observers agree with Granada's charge that LWT's defence had been strong on presentation - with Sir Christopher and his chief executive, Mr Greg Dyke, proving a very effective double act - but weak on content.

"You keep on thinking they must have a rabbit to pull out of the hat. But they hadn't, or if they had it died," said one analyst.

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tive, Mr Greg Dyke, proving a

very effective double act - but

weak on content.

"You keep on thinking they

must have a rabbit to pull

out of the hat.

Fall in demand batters profits at Bridgestone

By Paul Abrahams in Tokyo

Bridgestone, the world's largest tyre manufacturer, yesterday reported a 58 per cent fall in consolidated pre-tax profits, to Y17.3bn (US\$14m) last year from Y79.5bn in 1992. Group sales for the year tumbled 8.4 per cent, from Y1.745bn to Y1.595bn over the same period.

The company is struggling with a collapse in demand in its domestic market, where it controls about 45 per cent of the car tyre sector. Bridgestone said demand from car manufacturers had fallen because of the poor state of the economy and increased imports.

The replacement market had also declined, it added. Domestic prices have been under pressure and the group's product mix deteriorated as Japanese consumers increasingly traded down. Non-consolidated domestic sales fell 13.6 per cent from Y425bn to Y37.5bn.

The strength of the yen has prevented Bridgestone's domestic operations exporting their way out of trouble. Mr Isao Imaizumi, managing director, said the average dollar

exchange rate in 1993 was Y112, up Y15 on the previous year.

Non-consolidated exports fell 11.5 per cent, from Y18.5bn to Y16.5bn. Bridgestone said unit sales to Europe had fallen, but had increased to North America, Asia and Oceania.

Consolidated tyre sales fell from Y1.324bn last year, to Y1.191bn – the same as in 1992 – while turnover at the tyre operations fell from Y2.21bn to Y1.707bn.

Cost-cutting saved Y20bn, but consolidated operating profits nevertheless fell 22.8 per cent to Y8.2bn from Y12.5bn.

Consolidated net earnings after tax dropped from Y24.6m to Y26.35m, while earnings per share fell from Y36.75 to Y36.71.

The group forecast consolidated sales would reach Y15.75bn this year, and that net earnings would rise to Y30.5m. It predicted earnings per share would be Y38.85.

The company dropped an extraordinary dividend of Y2.5 per share paid last year, declaring a dividend of Y1.2 per share.

Sales surge helps lift Astra 53% to SKr7.8bn

By Christopher Brown-Humes in Stockholm

Astra lifted pre-tax profits by 53 per cent to SKr7.8bn (US\$75m) in 1993, maintaining its momentum as one of the world's fastest-growing pharmaceutical groups.

The performance was powered by surging sales of the group's two main drugs, Losartan and Pimicicort, and the weaker krona.

The dividend was raised 60 per cent to SKr1.25 per share. The Swedish group is to establish an American depository receipt (ADR) programme in the US from the autumn.

Sales climbed 45 per cent to SKr22.5bn. Excluding currency factors, the increase was 21 per cent, well ahead of the market's 5 per cent growth.

The group said earnings would again grow favourably in 1994, as sales continued to outperform the market. However, it warned that the pace of the increase would slow, because it would not derive the same currency benefit this year.

In the fourth quarter, pre-tax profits climbed 20 per cent to SKr2.04bn, on sales of SKr6.5bn, up 50 per cent. The rate of profits increase slowed because of big currency gains in the final quarter of 1993.

Sales of Losartan, an anti-peptic agent, surged 64 per cent to SKr7.1bn, while overall sales of the drug, including through licensees, were up 76 per cent at SKr12.7bn.

Losartan is now reckoned by Astra to be fifth biggest selling drug worldwide, with a market share of more than 30 per cent in Europe, 14 per cent in the US and in between 5 and 6 per cent in Japan.

Pimicicort, an anti-asthma agent with between 35 and 40 per cent of the European market, saw sales rise 56 per cent to SKr2.96bn.

Astra has emerged relatively unscathed from government clampdowns on healthcare spending. However, local currency sales in Germany, its biggest market, fell 2 per cent last year, compared with a market decline of 10 per cent. Sales growth of 48 per cent in the UK and 52 per cent in France helped to compensate for this.

Total group sales, excluding currencies, were up 25 per cent in Europe and 20 per cent in the US, compared with market growth of 2 and 4 per cent respectively.

Toyota forced into ban on overtime

By Paul Abrahams

Toyota, Japan's biggest automotive manufacturer, has introduced its first overtime ban for assembly-line workers. The move underlines the extent of the recession affecting the industry, and its difficulty in exporting, given the continuing strength of the yen.

The group stopped all overtime for production and office-workers at its Japanese plants during January and February. It has not yet decided whether to continue the ban during March.

The company, which reported a 43.7 per cent fall in pre-tax profits during the six months to the end of December, has also temporarily shut one of its 17 domestic production lines because of poor demand.

The shutdown, at its Motomachi plant in Toyota City, Aichi prefecture, happened late last year. The group intends to

reopen the line, which makes mark II passenger cars, in April.

Another line, at the Tahara plant in Aichi prefecture, had also been closed. The company has not yet decided when the line, making Corolla and Cerina KDS, will be reopened.

Toyota said its daily production had fallen from a peak of about 17,000 vehicles a day to 13,000. Japanese vehicle production fell 10.2 per cent last year, according to the Japan Automobile Manufacturers' Association (Jama).

The Japanese automotive industry is gaining little comfort from exports. In January, these recorded their 10th straight month of year-on-year decline.

Exports slumped 26.5 per cent compared with the same month in 1993, according to Jama. January exports of cars, trucks and buses fell to 350,418 from 531,349 in January 1993.

Deficit at Woolworth drives down share price

By Richard Tomkins in New York

Shares in Woolworth, the US retailer, tumbled \$1.1 to \$21 in early trading yesterday – a fall of 9 per cent – as the company reported a sharp reversal into losses in the fourth quarter to January 23.

Net income of \$185m the previous year turned into net losses of \$45m, on revenues down from \$3.13bn to \$2.82bn. Earnings per share of \$1.26 turned into losses per share of 35 cents.

Woolworth, which has been shedding its general merchandise stores and building up its specialty retailing businesses, stressed the results included a pre-tax charge of \$165m. This was associated with the sale of its chain of 120 Woolco superstores in Canada to Wal-Mart, the US stores group, announced last month.

The original announcement forecast that the charge would be just \$45m, mainly resulting from the recognition of currency exchange losses.

Yesterday, Woolworth said additional costs had arisen from inventory markdowns, the sale of some stores not included in the Wal-Mart deal, and an unexpected delay in completing the transaction.

However, it said it benefited from a pre-tax credit of \$145m relating to the reversal of some charges taken last quarter – biggest component of the overall downturn, therefore, came from its trading activities.

Operating profits of \$266m last time turned into operating losses of \$21m. Woolworth said its operations in the fourth quarter were hit by disappointing sales and heavy promotional activity.

For the full year, turnover fell to \$3.62bn from \$3.96bn. Net income of \$20m slid into net losses of \$45m, and earnings per share of \$2.14 turned into losses per share of \$3.75.

Setback to Rogers' media group bid

By Bernard Simon in Toronto

Rogers Communications' C\$2.6bn (US\$2.1bn) bid for Maclean Hunter, the Canadian publishing and cable-TV group, is mired in uncertainty after several surprise developments.

These events, including the 7 per cent cut in US cable-TV rates imposed by the Federal Communications Commission this week, have cast doubt both on Rogers' willingness to stick with its C\$17-per-share offer, and on its ability to find a better alternative.

The uncertainty is reflected in a steep fall in MH's share price over the past two days. The Toronto-based publishing and cable-TV group was trading at C\$15.50 yesterday morning, well below Rogers' offer of C\$17 per share. The offer is open until March 15.

Ted Rogers, Rogers' chief executive, was reported yesterday to have said his offer may be "too generous".

Analysts said the cut in US cable rates, as well as the subsequent collapse of merger talks between Bell Atlantic and Tele-Communications Inc, had significantly lowered the value of MH's extensive US cable franchises.

Rogers plans to dispose of these assets if its bid for MH succeeds. It will also distribute a portion of proceeds above C\$1.5bn to MH shareholders.

However, it has the right to rescind its offer if any material change occurs in MH's business.

The company, which yesterday changed its name to Akzo Nobel to reflect its recent takeover of Nobel of Sweden, had net profit before extraordinary items of C\$1.17m from C\$1.27m a year earlier.

The improvement in fourth-quarter net profit before extraordinary items, to C\$1.17m from C\$1.27m a year earlier,

was offset by a reported offer of C\$12m in Associated debt by Southwestern.

Southwestern Bell, the aggressive US telecommunications group, yesterday announced a \$600m deal to expand its wireless telephone operations in six new markets in the north-east and California.

The San Antonio, Texas-based company, one of the seven US Baby Bell regional telephone groups, agreed to acquire the domestic cellular operations of Associated Communications, based in Pittsburgh.

The sale includes majority shares in systems in four markets in New York state, as well as minority interests in businesses serving Pittsburgh and the San Francisco area.

The transaction involves the

Watchmaker's car silences the sceptics

SMH chairman Nicolas Hayek talks to Ian Rodger about the Swatchmobile project

The very idea that a producer of watches could break into the tough and expensive world motor industry is odd, to say the least.

But that is exactly what SMH, the Swiss watchmaking group, known best for its cheap and cheerful Swatches, is poised to do with an environmentally-friendly small car.

Uncharitable observers began to wonder if the Swatchmobile was simply a stock market car, designed to put some zing into SMH shares whenever they sagged.

Even though Mr Nicolas Hayek, the group's chairman, was a successful engineering consultant to the motor industry before rescuing SMH, his plans have always aroused more than a little scepticism.

The Zurich-based Mr Hayek has long been aware of this, but has gone on immediately tantalising the world for four years on the near-revolutionary merits of his so-called Swatchmobile. Consumers would love it, and other carmakers would be stunned by its wonderful design features, he would tell all comers.

However, the car never seemed to materialise. Mr Hayek initially claimed he did not want to show it to competitors any sooner than necessary, but that just provoked enterprising photographic journalists to spy on the company and

produce intriguing pictures.

A planned prototype unveiling in 1992 was cancelled. Then a mooted joint venture with Volkswagen collapsed last year.

Uncharitable observers began to wonder if the Swatchmobile was simply a stock market car, designed to put some zing into SMH shares whenever they sagged.

This week, however, all doubts disappeared. SMH and no less a player than Mercedes-Benz of Germany announced they were setting up a joint venture to produce the Swatchmobile. If all goes well – and that means getting approval from various boards and advisers at Mercedes – the car will finally be unveiled to a curious world at the end of next week.

Already, Mr Hayek has clarified the broad outlines of the vehicle. It will be a two-seater – "snug for two people and two cases of mineral water" – and will probably be on the market in three years, selling for about \$10,000. ("That amount is on the high side," he says.

There has been much speculation about its engine design. Mr Hayek says three different systems are being assessed. The aim is to produce a car that is not just a city runabout that has to be plugged in every

few hours, but also a vehicle

you would drive from Zurich to Sicily in the same comfort you would expect in a normal car, he says.

Fine, but with virtually

every important car manufacturer working hard on environmentally-friendly designs, what do SMH and Swatch bring to the party?

Answer: they apply the

same approach to car

making and selling

that led to the phenomenal

success of Swatches. These are:

• Simplify and automate

production to reduce cost and,

often, as a by-product of that

process, improve quality. That

bikes will be manufactured in several countries, "and that does not exclude Great Britain". Once the deal with Mercedes is sealed, he plans quickly to take up an invitation to visit Mr Michael Besseling, president of the UK Board of Trade.

• The product should be "provocative", expressing "joy in life". "A Rolls Royce or a Jaguar is not just a car, it is a car plus something," he says.

It all sounds a tall order for the Swatchmobile, but it looks as if it will finally be fulfilled. Mr Hayek says SMH and Mercedes have been working on the joint venture for a year, and have resolved a lot of the problems that brought the discussions with Volkswagen to a

grind. The concept has been approved throughout the Mercedes organisation. "A lot of detail work has been done," he says.

Mercedes will have majority control, but SMH, with 49 per cent, will have a veto on many issues, according to Mr Hayek. He claims the project is also well within SMH's means, so far taking up no more than between 15 and 20 per cent of the group's cashflow.

"And if it is as successful as we hope, we will keep on investing."

The Swatchmobile: official unveiling scheduled for next week

By Ian Rodger in Zurich

Knight, global investment

strategist at Nomura, who has, until recently, had a reputation as a superbull. He warned that US short-term interest rates might have to go up to 6 or 7 per cent by the year-end to defend sterling against the impact of big currency gains.

Others, however, feel there is little fundamental justification for the bond markets' sell-off, arguing that the slide was due to heavy selling by highly-leveraged investors, including US hedge funds, who had to liquidate bond positions after incurring huge losses in other markets.

"At the end of last year, a lot of funds flowed into these markets, and this is a very serious correction of that rally," said Mr Klaus Baader, European economist at Lehman Brothers in London. "The European economy would slow and short-term rates in some countries could rise.

The UK market was especially rattled by calls for monetary tightening from Mr Nick

the Bundesbank resumes its easing course, and elections in Germany and elsewhere are out of the question.

"We still look for German 10-year yields to test the 5.5 per cent level after the German election," says Mr Julian Calow, international economist at Kleinwort Benson.

With 10-year gilt yields around 7.10 per cent, Mr Calow also expects the UK bond market to stabilise soon. "As in Germany, domestic investors are likely to be attracted by yields in excess of 7 per cent while inflation remains subdued."

Meanwhile, US bonds should start stabilising around current levels, predicts Mr George Magnus, international economist at SG Warburg.

"We have long looked for the long bond yield to spike to 6.5 per cent to 6.75 per cent and, now here, feel the market has done most of the dirty work – though a spike to 7 per cent remains distinctly possible."

Speculative futures dealing at MG Corp led to losses of DM3.5bn (\$1.35bn), and drove Metallgesellschaft to the brink of insolvency.

On Thursday, Mr Schimmebusch blamed the company's near-collapse on the former management, claiming he had been wilfully misled by Mr Schimmebusch and other directors.

Mr Schimmebusch, who is believed to have been living chiefly in New York since he was dismissed, said he had frequently discussed MG Corp's oil futures trading activities with Mr Schimmebusch during 1992 and 1993.

He said the dialogue was partly in the context of a joint venture between Deutsche Bank and Metallgesellschaft, in which the bank tried to market oil derivatives programme to its German industrial customers.

The aim of the programme was to reduce companies' energy costs, but joint presentations by the bank and Metallgesellschaft did not produce any business. The dialogue with the supervisory board chairman went further than this, Mr Schimmebusch said, covering MG Corp's strategy and financing needs.

Mr Schimmebusch said on Thursday he was not properly informed of problems at MG Corp until December 3 last year. Mr Schimmebusch claimed he had not

WEEK IN THE MARKETS

Aluminium hungry for more cuts

The London Metal Exchange's aluminium market marked time this week as it assessed progress so far with the policy of multilateral production cuts and awaited next week's meeting of producing countries in Ottawa, at which the policy will be reviewed and, so traders hope, confirmed.

The 12 per cent rally in prices since the policy was agreed last month in Brussels was more or less maintained, with the LME's three months delivery price closing yesterday at \$1,315.00 a tonne, down \$7 on the week. But it continued to appear somewhat fragile as prices tended to slide back on days when no further cuts were announced.

LME Aluminium stocks
(As of Thursday's close)
tonnes

	+16,875 to 2,965,125
Aluminium	+16,875 to 49,823
Copper	-2,255 to 1,000,000
Lead	-475 to 330,775
Nickel	-12 to 133,210
Zinc	+4,650 to 1,039,860
Tin	+375 to 322,915

An \$18 fall on Monday was partially recovered the next day following news that a 39,000-tonnes-a-year cut was planned at Australia's Tomago smelter. But that rally was wiped out on Wednesday and the price dipped to \$1,290 a tonne before the announcement by Pechiney, whose earlier silence on its cutback plans had been cited by the official as an "exact example of what we are displeased with".

Other LME contracts also ended lower. Three months copper sawed to \$1,887.50 a tonne, down \$19 on the week, while lead's price ended \$10 off of \$483.50 a tonne and zinc's \$21 off of \$923.50 a tonne.

The big loser among the precious metals was platinum, which saw its premium over gold narrow from \$30.50 to \$12.90 as it fell \$7.40 to \$351.60 a troy ounce. Traders attributed the metal's weaker tone to reduced concern about the possibility of production being disrupted in the run-up to South Africa's April elections.

The London Commodity Exchange's cocoa market began quite strongly in response to last Friday's surge in New York. But gains were truncated later in the week and the May futures position ended at \$924 a tonne, up \$5 on balance.

News that the new price stabilising International Cocoa Agreement had come into effect on Tuesday (although consumer signings were no surprise and had little effect on Sentiment). Neither did the ICCO secretary's forecast that this year's expected world production deficit of 110,000 tonnes, which would be the third in succession, would be followed by three more, totalling 375,000 tonnes.

Richard Meoney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash	3 mths
Closes	1322.4
Previous	1320.3
High/low	1292-1314
AM Official	1300.5
Kerb close	1312-1.5
Open Int.	271,725
Total daily turnover	31,161

■ ALUMINIUM ALLOY (\$ per tonne)

Closes	1170.5
Previous	1170.5
High/low	1185-1170
AM Official	1150.80
Kerb close	1170.5
Open Int.	3,675
Total daily turnover	619

■ LEAD (\$ per tonne)

Closes	474.5-5.5
Previous	468.5-6.5
High/low	474.5-4.5
AM Official	472.2-5
Kerb close	473.5-4
Open Int.	20,386
Total daily turnover	5,827

■ NICKEL (\$ per tonne)

Closes	5860.70
Previous	5865.905
High/low	5860.60
AM Official	5875.80
Kerb close	5870.5
Open Int.	51,849
Total daily turnover	9,425

■ TIN (\$ per tonne)

Closes	540.5-6
Previous	540.5-6
High/low	540.5-5
AM Official	542.2-5
Kerb close	542.5-4
Open Int.	24,205
Total daily turnover	5,227

LIVE WEATHER STOCKS

(As of Thursday's close)

	+16,875 to 2,965,125
Aluminium	+16,875 to 49,823
Copper	-2,255 to 1,000,000
Lead	-475 to 330,775
Nickel	-12 to 133,210
Zinc	+4,650 to 1,039,860
Tin	+375 to 322,915

■ LME Aluminium stocks

(As of Thursday's close)

	+16,875 to 2,965,125
Aluminium	+16,875 to 49,823
Copper	-2,255 to 1,000,000
Lead	-475 to 330,775
Nickel	-12 to 133,210
Zinc	+4,650 to 1,039,860
Tin	+375 to 322,915

■ LME Lead stocks

(As of Thursday's close)

	+16,875 to 2,965,125
Aluminium	+16,875 to 49,823
Copper	-2,255 to 1,000,000
Lead	-475 to 330,775
Nickel	-12 to 133,210
Zinc	+4,650 to 1,039,860
Tin	+375 to 322,915

■ LME Zinc stocks

(As of Thursday's close)

	+16,875 to 2,965,125
Aluminium	+16,875 to 49,823
Copper	-2,255 to 1,000,000
Lead	-475 to 330,775
Nickel	-12 to 133,210
Zinc	+4,650 to 1,039,860
Tin	+375 to 322,915

■ LME Nickel stocks

(As of Thursday's close)

	+16,875 to 2,965,125
Aluminium	+16,875 to 49,823
Copper	-2,255 to 1,000,000
Lead	-475 to 330,775
Nickel	-12 to 133,210
Zinc	+4,650 to 1,039,860
Tin	+375 to 322,915

■ LME Tin stocks

(As of Thursday's close)

	+16,875 to 2,965,125
Aluminium	+16,875 to 49,823
Copper	-2,255 to 1,000,000
Lead	-475 to 330,775
Nickel	-12 to 133,210
Zinc	+4,650 to 1,039,860
Tin	+375 to 322,915

■ LME Zinc stocks

(As of Thursday's close)

	+16,875 to 2,965,125
Aluminium	+16,875 to 49,823
Copper	-2,255 to 1,000,000
Lead	-475 to 330,775
Nickel	-12 to 133,210
Zinc	+4,650 to 1,039,860
Tin	+375 to 322,915

■ LME Nickel stocks

(As of Thursday's close)

	+16,875 to 2,965,125

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar weakens

The dollar yesterday continued its recent decline in foreign exchange markets as weakness in US stocks and bonds put pressure on the currency, writes Philip Gault.

Renewed market fears of a stronger yen are also weighing on the dollar, as are worries that German interest rates may not fall as quickly as originally thought.

The weakness of the US currency is puzzling analysts. It comes against the background of financial markets made nervous by fears of a further tightening in US rates - which should be positive for the dollar.

The meeting today of G7 finance ministers and central bank governors in Frankfurt had a dampening effect on trading activity. Some investors were nervous of taking positions ahead of the summit for fear that post-summit statements might cause sharp fluctuations in rates.

■ By contrast to the belea-

guished dollar, the D-Mark was stronger against most EMS currencies. Mr Malcolm Barr, international economist at Chemical Bank, said: "The D-Mark's status as a safe haven currency seems to have re-emerged in this climate of uncertainty."

Analysts said the German currency had gained support from speculation that the January M3 figure, to be released this week or next, could be as high as 13 per cent.

Others argue that an easing of policy in Germany is

Dollar

DM per \$

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and set through the Stock Exchange Telsman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List but the latest recorded business in the four previous days is given with the relevant date.

Rule 552(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

④ Bargains at special prices. ⑤ Bargains done the previous day.

British Funds, etc

Treasury 134 1/2% Strd 2000/03 - 134 1/2 104 1/2

Exchequer 10 1/2% Strd 2005 - 121 1/2 120 1/2

Corporation and County Stocks

Birmingham District Council 11 1/2% Red Strd 2013 - 132 1/2 133 1/2 135 1/2

Dudley Metropolitan Borough Council 7% Lst Strd 2015 - 104 1/2 104 1/2

Leeds City 13 1/2% Red Strd 2000 - 142 1/2 134 1/2

Nottingham 11 1/2% Red Strd 2007 - 107 1/2 107 1/2

Newcastle Upon Tyne City 13 1/2% Red Strd 2008 - 121 1/2 122 1/2

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FINANCIAL TIMES

Weekend February 26/February 27 1994



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Tories' European allies insist on federal stance

By Kevin Brown,
Political Correspondent

Mr John Major's difficulties over Europe worsened yesterday as the Conservative party's allies in the European parliament insisted that the party would be committed to federalism after the European elections in June.

Conservative leaders have distanced the party from the federalist manifesto of the European People's party since its contents were disclosed in the Financial Times on Thursday.

The manifesto, published in Brussels yesterday, calls for economic and monetary union, supports the social chapter of the Maastricht treaty, and commits the EPP to European integration under a single constitution.

Sir Christopher Prout, leader of the 32 Conservative MEPs, said

in a letter to the FT today the Tory party had "no formal links" with the EPP and did not negotiate the text of the manifesto.

However, the minutes of the EPP meeting which approved the manifesto on February 3 show that Sir Christopher and other Conservative MEPs were present.

Mr Thomas Jansen, EPP secretary-general, said the British MEPs were present as observers because they were members of the EPP parliamentary group, which whips its members on Westminster lines and has common spokesmen on departmental issues.

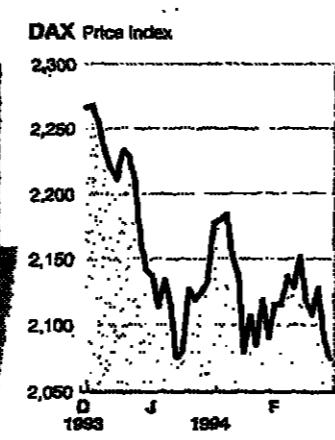
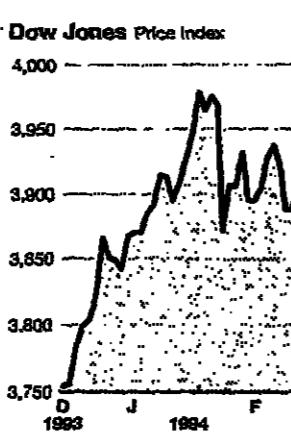
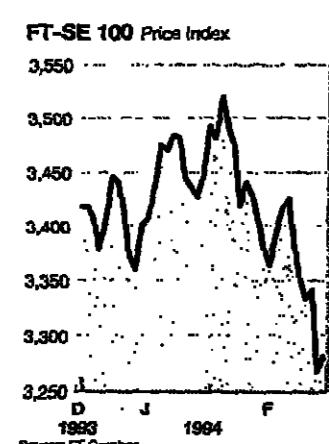
He said the British MEPs did not vote, but added: "Between the EPP and the EPP parliamentary group there is no difference. We consider the parliamentary group as an active part of the EPP, and all the senior officers of

the EPP parliamentary group participate in our business."

Mr Jansen said the EPP would not insist on British acceptance of those elements of the Maastricht treaty from which Mr Major secured an opt-out.

This means that Conservative MEPs will not be commented after the election to support the group's position on the social chapter or Emu. But both Mr Jansen and Mr Wilfried Martens, EPP leader, said the rest of the document would be binding on elected MEPs, including the federal and constitutional provisions. "It will form the framework on which the EPP and EPP [parliamentary] group will operate after the European election," Mr Jansen said.

Tax battle, Page 8
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Markets end on nervous note after week of heavy selling

By Connor Middelmann
and Terry Byland

European bonds and stocks ended a hectic week sharply lower yesterday, although the heavy selling of previous days eased.

European bonds tumbled again in early trading yesterday after an overnight drop in US Treasuries. But the markets stayed calm, and ended above their lows. "It wasn't the same panic that gripped the markets Thursday," said a London bond trader.

Stock markets in Europe steadied but remained nervous as they kept a close watch on bond prices. The best performance was in London, where the FTSE 100 index closed 13.7 higher at 3,281.2 on the firmness of UK government securities.

The UK government bond mar-

ket posted the biggest gains among European markets yesterday, having lost the most ground the day before. The Little March long gilt futures contract ended at 112.5, up $\frac{1}{2}$ of a point. Gilt bonds closed back from Thursday's lows as investors switched from other European markets, which continued to fall amid bearish sentiment. German 10-year bonds ended nearly a $\frac{1}{4}$ point lower while their French counterparts dropped by more than $\frac{1}{2}$ of a point. Both markets are expecting fresh long-dated paper to be issued next week which subdued sentiment.

According to Salomon Brothers, world government bonds lost 0.86 per cent in local currency terms in the week to Thursday. Although US Treasuries sparked the European sell-off, they ended the period

down 0.88 per cent, outperforming the non-dollar sector which dropped 0.99 per cent. Gilt bonds posted the largest losses on the week to Thursday, falling 3.05 per cent.

In London, share prices made uneven progress and investors remained cautious on expectations that the US may again raise interest rates. Trading volumes were moderate. The UK stock market fell by about 3 per cent.

It envisages a two-tier arrangement, where an executive committee of people working in financial services is supervised by a board of public interest directors. The PIA prospectus says the authority will have a single board, in which practitioners will be in the minority.

Ms Colette Bowe, PIA chief executive, and Mr Joe Palmer, PIA chairman, have already begun meeting financial services practitioners to give more detailed explanations of how the PIA intends to work.

An orderly queue, Page 6
Survivor in stormy seas, Page 10

Euro Disney

Continued from Page 1

reduce the interest rates payable on some of their loans.

The main sticking point is expected to be Disney's stance on royalties. It has already temporarily waived its entitlement to a management fee of 3 per cent of turnover which would have been worth FF145m last year. It still receives royalties of 10 per cent of admissions and 5 per cent of food and merchandise sales that totalled FF262m last year.

The US group is understood to have accepted the principle of further concessions in these areas but is trying to limit the scale of the cuts. However both camps are confident they will be able to find a solution by March 31, the deadline set by Disney.

defence contract and the provision of \$234m in aid for the building of the dam at Pergau.

Mr Douglas Hurd, the foreign secretary, yesterday admitted the two projects had been "entangled" for a few months in 1988.

UK fails to avert Malaysian trade ban

Continued from Page 1

last weekend which alleged that a British company had paid bribes to Malaysian politicians and that Dr Mahathir had asked for a \$50,000 payment.

Mr Andrew Neil, the editor of the Sunday Times, said he regarded the attack as a "badge of pride". He added: "The British press ought to be proud of what it has done" in uncovering links between the winning of the 1988

contract and the provision of \$234m in aid for the building of the dam at Pergau.

Mr Douglas Hurd, the foreign secretary, yesterday admitted the two projects had been "entangled" for a few months in 1988.

Continued from Page 1

On Sunday, widespread spring-like temperatures are forecast. England, the Benelux and Germany will have temperatures ranging between 8C and 15C, while in France temperatures will be 20C in places.

Conditions will remain wintry in northern and eastern Europe as another surge of cold air arrives. A front will stall over southern Sweden, bringing high winds and snow showers. Next week, conditions will be unsettled in western and central Europe with somewhat lower temperatures.

Today's temperatures

Maximum Belfas

Cloudy 8

Abu Dhabi 13

Cloudy 13

Weekend FT

SECTION II

Weekend February 26/February 27 1994

Venice: the city sinking in lethargy

In the 27 years since the last great flood, there has been a lot of discussion but little action to save one of the world's great treasures, write David Lascelles and Robert Graham

It was in November 1966 that Venice was swamped by the worst floods for several centuries. The disaster woke the world to the perils facing one of the treasures of western civilisation. But today, more than 27 years later, not a stone has been laid to prevent a recurrence of the disaster, in spite of the combined problems of subsidence and rising sea levels which threaten the city.

"La città non ha fatto nulla." The city has done nothing, says Rino Brutomeso, director of Città d'Acqua, the Venice-based association of waterfront cities. "The Dutch have built new barrages, London has built the Thames barrier. This city has nothing, only plans."

Brutomeso is certainly right about the plans. In a spacious palazzo on the Campo San Stefano near the Accademia bridge, Francesco Bandarin, an architect, has a detailed design for Venice's sea defences. He works for the Consorzio Venezia Nuova, the government-appointed consortium of building and engineering companies which was charged nine years ago with the task of protecting Venice from floods.

He knows the problem in minute detail: the tidal currents, the type of barrage needed, the cost, the timescale for construction. The plan is for an elaborate system of barriers to close off the three large entrances to the lagoon, consisting of rows of giant hollow metal boxes fixed to hinges on the sea floor. When high tides threatened, they would be filled with air and swung up to hold the water back.

Across the square, Bandarin's colleague, Paolo Baschieri, occupies a building full of computers into which has been fed a mass of information about the Venice lagoon: depth, temperature, concentrations of pollutants, tidal charts. At the push of a button he can print-out maps showing whatever the inquirer wants to know.

But apart from a working model of the proposed barrage, the practical application has got no further. "We've already spent more time waiting for this project than it will actually take to build," says Bandarin.

Like much of what happens – or does not happen – in Italy, the blame for this state of affairs can be laid at the door of the politicians. In the aftermath of the 1966 disaster, the Rome government made a prompt response: it declared the city's fate a matter of national interest and provided money to enable work to start not just on flood protection but also cleaning up the lagoon and restoring buildings.

Much has been achieved in these last two areas, partly with international sup-



Under threat: the Grand Canal in Venice. Can the city be defended against the waters without destroying the industry and wildlife of the lagoon?

Michael Dent

port. Many fine palazzos and churches have been re-opened. Shipping channels have been dredged, and water treatment plants built on the edge of the lagoon.

But Venice's problems have become increasingly caught up in the chaos and corruption of Italian politics.

At the national level, Rome created a proliferation of laws and agencies to deal with its problems, but persistently postponed the big decisions. When the Consorzio produced its barrage proposals in 1989, the government sent them back because they were too intrusive. Rome wanted a barrier that lay entirely hidden underwater. So, in 1992, the Consorzio sent in revised plans which met these criteria. The plans are still in the government's in-tray.

At the local level, the highly politicised Venetian administration fought for state aid, not so much to protect the city as to have the money to disburse patronage and influence. During the latter part of the 1980s, Venice was cynically carved up between the Christian Democrats and Socialists with a tacit deal to let the volatile Gianni De Michelis, the Socialist foreign minister, become a latter-day Doge.

He, along with his entire Venice network, has been swept aside by the corruption scandals which have rocked Italy in the past two years. Several of these related directly to Venice: at one stage last year De Michelis was assailed by a hostile crowd.

But politics is not the whole story. The longer the delay, the more doubts have grown as to whether the grand barrier scheme is really the answer to Venice's problems. Time has enlarged people's understanding of Venice's predicament. Other perils have come to be viewed as equally threatening as the famous floods. The position has become much more complex, the priorities less clear.

Venice is now seen not just as a jewel to be saved but as part of a vast environmental and economic system represented by the Venetian lagoon. Any solution to Venice's particular problems must be balanced with regard to other interests. This 550 sq km of water, for example, is home to Italy's largest petrochemical complex, at Mestre, upon which 15,000 jobs depend. Anything that interferes with the free movement of traffic in the lagoon or active industry on its shores could threaten their livelihoods.

The lagoon also receives the run-offs – and thus the mess – from nearly 2,000 sq km of the surrounding watershed. Then there are the less well-known problems of Venice itself: the shortage of housing and jobs which is driving away young people; lack of money to dredge the canals; absence of a proper sewage system.

The key point in the new phase of the debate is whether the barrage should be the top priority – whether it is even necessary. The Consorzio argues that it is. According to Bandarin, Venice now suffers from a mild form of flooding called *alto acqua* (high tide) more than 40 times a year, compared with only six times at the start of the century.

This is partly because of rising sea levels, partly because Mestre's industries have sucked out the ground water and caused Venice's foundations to sink. The combined effect has been to leave Venice 23cm lower in the water. Water laps above the impermeable Istrian stone which the resourceful Venetians used to build their foundations, and soaks the brickwork, allowing the damp to rise and attack the walls and plaster.

Bandarin calculates that the chances of a catastrophic flood have increased from once every 500 years to once every 200. But is that a sufficient risk to justify a project equivalent to half a Eurotunnel?

Paolo Costa, rector of the University of Venice, who occupies an office in one of the palazzos overlooking the Grand Canal, says: "The idea of defending Venice from the sea is declining. It's technically difficult, and there is uncertainty about the size of the risk." People have learnt to live with high tides, he says. They move their precious things upstairs and put barricades across their doorways to hold the water back.

People have also begun to challenge the Consorzio's interest in the issue. They accuse it of deliberately stirring up fears of floods in order to win government contracting business for its members. It is certainly the case, as the Consorzio concedes, that Venice's sinking problem appears to have eased now that steps have been taken to halt the depletion of the aquifers.

But Bandarin raises the threat of global warming and the melting of the polar ice caps. "Do you see the sea being higher or lower in the years ahead?" He also rejects criticism of the Consorzio's "big business" approach. "There's been a noticeable cultural shift in this office away from big engineering to incorporate environmental factors," he says. Some 60 per cent of the Consorzio's budget goes on environmental work, such as restoring wetlands and bringing lost sediment back into the lagoon.

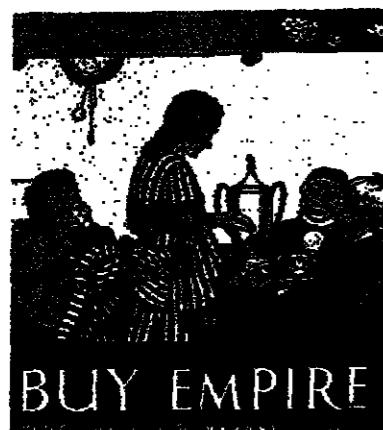
But even among those who share the Consorzio's view that floods are the greatest threat, there is scepticism as to whether a barrage is the best answer. They fear the project would upset the ecology and tidal flows of the lagoon. Alternatives have been canvassed, such as filling in the shipping channels to staunch the flood tides, but, as Bandarin points out, the largest channel did not even exist at the time of the 1966 floods.

If support for the barrage is waning, what priorities are taking its place? The clean-up of the lagoon is the strongest contender. Although much has already been done to stop discharges of raw sewage and industrial effluent, water quality is still poor, even filthy at times. The problem lies not just with the local municipalities which are within Venice's control, but with distant towns and villages bordering rivers which feed the lagoon. Much of this pollution is agricultural nutrient which

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BUY EMPIRE
BY GILES MACDONOGH

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The Long View/Barry Riley

Trimming the hedges

Speculation, my old textbook told me, was a good thing, in moderation. It lubricated the market and helped provide the liquidity which enabled long-term users of markets to move in and out. Sometimes, though, the gambling gets out of hand.

This week we have seen the powerful impact of the unwinding of speculative positions in the global securities markets. Bond prices have been tumbling – the long gilt yield has soared from 6.5 to 7.3 per cent since the start of the year – and London's FT-SE 100 Index took a dramatic 24-point dive on Thursday.

Such corrections generate all sorts of rationalisations. People argue that expectations about inflation have worsened, or that fears of rising short-term interest rates upset sentiment.

Obviously the trigger for all the damage of the past few weeks – which has seen Hong Kong's Hang Seng index tumble by 16 per cent from its peak, for instance, has been a modest quarter-point rise in dollar short-term interest rates. But what we are actually seeing is a reversal in which the markets are moving back to levels at which prices will again be set essentially by long-term investors.

A clue to the nature of recent events can be discerned in the role of derivatives. The biggest movements in the London stock market this week have been seen in the blue chips which make up the Footsie Index, which in turn is the basis of the Little futures contracts. Small capitalisation shares, in which there is no derivatives-based trading, have remained comparatively stable – although their prices are inherently more volatile because of poor liquidity.

Another clue is that different kinds of securities have been tumbling in price together. On Thursday, for instance, long-dated fixed interest gilts and index-linked gilts were tailing sharply, just like equities. What has been happening is not a reappraisal of prospects for economic growth or inflation but an

upward shift in real interest rates.

This is the most fundamental of all measures of the return to investors, and it appears that so far there has been a rise of nearly half a percentage point in the real long-term interest rate since the end of 1993. Last year this rate declined, despite the surge in government and other borrowing around the world which might have been expected to lead to a shortage of savings.

Essentially what happened in the second half of last year was that large amounts of speculative money entered the international securities markets. Some of this was reflected in the banking statistics in the US and the UK, which showed a sharp increase in lending to securities firms and investment banks.

I have written before about the activities of US banks in making big profits out of the spread between 3 per cent money market deposits and bond yields of 5 or 6 per cent. An increasing role has also been played by the so-called hedge funds, of which the most famous is George Soros's Quantum Fund (which was this week reported to have lost \$600m: on the recent unexpected jump in the yen against the dollar).

The name "hedge funds" is something of a misnomer. It certainly does not mean that they hedge their risks. Today's hedge funds are the ultimate in speculative offshore vehicles, ready to trade on any kind of financial market, and often in commodities as well and prepared to leverage the risks and returns by taking on positions which are several times as large as their underlying capital.

Hedge fund managers receive hefty performance-related fees, often of something like a basic 2 per cent of funds managed, turned up with 20 per cent of any gains over a modest benchmark rate of return. There is thus a strong temptation to go for broke, because the managers can earn millions if their geared-up gambles pay off. If things go wrong, investors can lose everything but managers only lose their jobs.

Operators like Soros have been

playing this game for years but the talk recently has been of the establishment of several new hedge funds. Last year the profits were generally spectacular as markets around the globe trended higher, with a particular surge in the final quarter as new money piled in. The trouble is there are no statistics which might shed reliable light on the volume of this kind of speculative money (although *Fortune* magazine this week estimated that the worldwide total value of all kinds of derivative contracts is about \$16,000bn). Risks arising from major shifts or even panics can only be guessed at.

The activities of aggressive players in this kind of scale can lead to a kind of feedback – which Soros, an intellectual among speculators, has dubbed reflexivity. Rising markets suck in still more money until the bubble bursts; new hedge funds can find backers in these circumstances. The biggest of all these bubbles in terms of capital committed – although by no means in terms of size of capital gains – appears to have been in US Treasury bonds. Prices peaked out as long ago as last October, since when the interest rate on long-dated dollar bonds has risen by almost a full percentage point. The game subsequently shifted to European bonds, but this gamble is now coming to grief as well.

Naturally the market is buzzing with scare stories about the size of the losses suffered by some of the hedge funds and banks. The motive of Quantum Fund in disclosing a figure appears to have been to counteract some of the wilder rumours. There is no way of knowing how long the sell-off will continue. But in the bond markets, at least, yields have now climbed to levels at which long-term investors are going to start absorbing the paper being dropped by the short-term players. I would not be so confident about UK equities; the average dividend yield on UK equities offers too small a margin over the 3.3 per cent real yield on index-linked gilts.

There is trouble when speculation produces not liquidity, as in my textbook, but liquidation.

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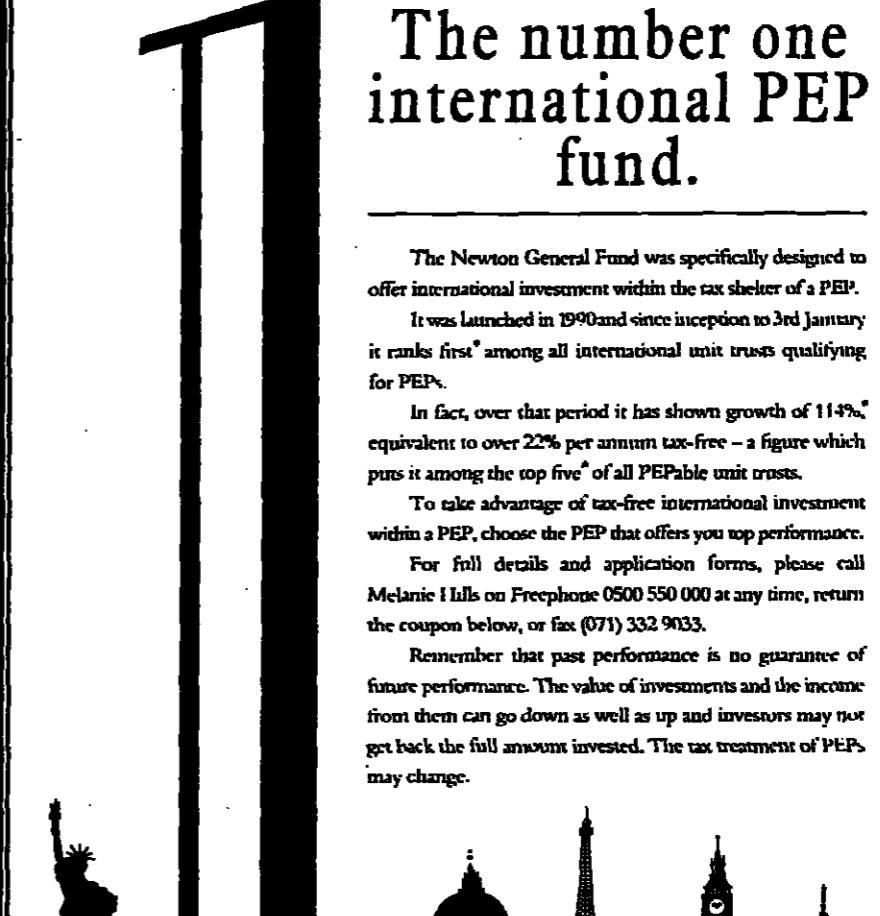
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MARKETS

London

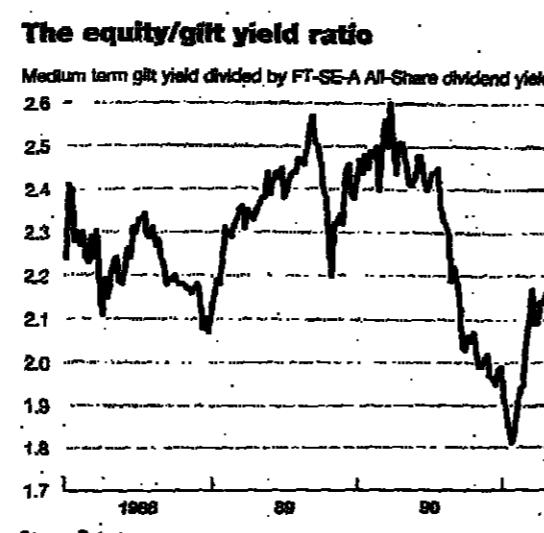
Shares sink as the cash tide flows out

Peter Montagnon

In like a lion, out like a lamb. We shall see whether March's proverbial reputation applies to the stock market as well as the weather. Certainly the last week of February has been tempestuous with a net fall of 100 points on the FT-SE 100. Whether that makes the stock market a lion is another matter. This week it looked more like a lamb being led to the sacrifice to atoms for losses incurred by the speculative US hedge funds.

By Thursday it seemed that the dam had well and truly burst - not the Malaysian one which is still shoring up all sorts of possible troubles for the UK government and companies, but the dam which has been supporting the reservoir of liquid funds sloshing about world financial markets in search of yield.

The crack which appeared when the Federal Reserve tightened three weeks ago widened this week to let through a flood of selling, particularly in the futures markets, threatening



Source: Datastream

percentage point from 2.4 a year ago.

That suggests equities have little room to forge ahead unless gilts rally and real yields fall again. There is a chance of this happening once the hedge fund turmoil is over.

With muted inflationary expectations, yields of around 7 per cent gilts look appealing. The premium of nearly a full percentage point over German government issues may also attract overseas money but it would be foolish to expect the hedge fund liquidity to reappear in a hurry.

Since equities are still trading at relatively high price/earnings multiple of around 23 times, the focus may shift away from those stocks which benefit from falling interest rates towards those like manufacturing and engineering issues which have genuine recovery potential.

Equities' relationship with index-linked gilts is less comfortable. The yield premium against five-year index-linked issues has narrowed to only 1

percentage point from 2.4 a year ago.

Provided these can produce a strong earnings growth, there may be little need for worry. If not, more trouble may lie ahead.

So far the company reported season has produced earnings just about in line with expectations, with dividends overall slightly ahead of expectations. The dividend record is distorted, however, by a few companies such as Glaxo which have paid out exceptionally large increases. The picture afforded by this week's results is distinctly mixed.

Some dividends were deceptively flattering. On Tuesday Unilever increased its annual payment by 17 per cent to 25.03p per share in spite of a £490m restructuring charge and evident pressure on its branded goods market.

Shell Transport accompanied Thursday's announcement of a mere 3 per cent rise in profits to £2.2bn with a 9.6 per cent increase in its dividend. Both groups paid only modest increases in guilder dividends, though, so the UK increase largely reflected currency movements. Unilever ended the week off 75p at £11.30. Shell was down 27p at 702.

National Westminster's 6 per cent dividend increase on Thursday disappointed after much higher payments by other banks, but NatWest is also plagued by a relatively low capital base, sluggish loan demand and dependence on trading profits. NatWest's shares finished the week down 42p at 497p.

In the real world of manufacturing, ICI's trading statement on Thursday was marginally positive at best. Its 78 per cent increase in annual profits to £250m was boosted by the

effect of restructuring and exchange rate movements and the dividend was held unchanged at 27.5p. The shares fell only 20p to 754p on the week, perhaps because of earlier under-performance.

British Aerospace increased its dividend by 19 per cent in spite of reporting a £237m pre-tax loss on Wednesday after an exceptional charge to cover further possible losses on aircraft leases.

The higher dividend reflects a swing in operating profits to a £229m profit from a loss of £66m in 1992, which seems to justify BAE's contention that it has finally turned round. The 8.3p dividend, though, is a long way short of the 25p paid as recently as 1991. The shares closed down 21p at 505p.

Exceptional charges pushed British Gas into a loss of £285m from a profit of £631m in 1992. Though it expects a 50 per cent gross return on its £1.65bn restructuring programme, the cash cost will be considerable when gearing is rising.

What with that, its price cap, the threatened loss of market share as competition develops and the low cover of 1.4 times, British Gas looks pushed to deliver real dividend growth. Its payment increased only marginally to 14.5p per share from 14.2p and its shares fell 23p to 318p.

Finally, the clearing banks decided to cash in their gains and float the venture capital group 3i on the stock market this summer. There will undoubtedly be considerable interest in what could become a new FT-SE100 company. Yet if the banks, who have waited long enough, think now is a good time to sell, it may not be the best moment to buy.

Serious Money

The importance of a long-term view

By Scheherazade Daneshkhu

The falls this week in equity and bond markets should remind investors yet again how the value of their holdings can go down as well as up. Many do not need reminding, of course - you do not need long memory to recall the stock market crash of 1987.

Falls and rises of the order we have seen in the past few days are, in any case, very small compared with 1987. Indeed, it is too easy to regard every fall of any significance as a "crash" and every rise as a "boom".

This week's market movement should not upset investors unduly. Many who went into UK equities even as recently as the beginning of 1993 will have made sizeable gains.

But the latest decline underlines the importance of regarding equities as a long-term investment, precisely in order to be able to ride out temporary setbacks.

Unit and investment trust savings schemes show their worth at these times, not only because they give investors the discipline of putting aside some money regularly but because, by doing so, they are able to buy more units or shares when the stock market falls and fewer when it is high.

This "pound/cost averaging" as it is known in the trade, means investors do not have to worry about getting market timing right - something which often defeats even the experts.

Fund management houses are only too aware of the fears investors have about protecting their capital. This has led to a proliferation of so-called guaranteed equity products; in most cases these promise that, even if the worst happens, people get back their original investment.

Now, a group of former Kleinwort Benson fund managers - calling itself Objective Unit Trust Management - has

launched a new unit trust which aims to limit the risk of investing in the stock market.

The Objective Limited Risk Equity Fund will use derivatives to protect against stock market falls.

The fund is managed so that the bid price (that obtained by investors for selling units) at the end of each six-month period will not fall by more than 5 per cent. The initial six-month period starts on the first business day of October.

The fund managers say, to reduce risk, they will spread exposure across the markets so that 50 per cent is invested in the UK and the rest is divided equally between the US, Europe, Japan and the Far East.

The fund shares a common disadvantage of all guaranteed equity products in that the investor does not benefit from the full rise in the market - this is the price paid for the protection mechanism.

But, unlike guaranteed equity bonds which tend to have a lock-in feature over five years, this fund will lock in gains every six months and investors are free to buy and sell units at any time.

Initial charge is 4.5 per cent and annual management fee is 1 per cent. Minimum investment is £2,000.

■ ■ ■

Fears this week of interest rate rises in the longer term pushed up rates on the money markets where the building societies borrow funds for fixed-rate mortgages. By Thursday night a number of lenders - including the Halifax, Leeds, and Cheltenham & Gloucester - had axed their fixed-rate mortgages.

Cheltenham & Gloucester withdrew its 6.99 per cent, five-year fixed rate while Leeds replaced a 5.85 per cent, two-year mortgage with two of 6.19 and 5.99 per cent (the cheaper one is for those borrowing only

80 per cent of the value of the property). Two five-year mortgages of 6.75 per cent and 6.85 per cent were replaced with ones of 7.39 and 7.59 per cent.

Halifax has increased fractionally its old 7.2 per cent, five-year fixed rate to 7.25 per cent, but its 10-year rate goes up from 7.99 to 8.25 per cent.

Yesterday, the National Westminster bank withdrew a number of recently-issued fixed rates; one had been a particularly attractive 10-year fix at 7.59 per cent, which was lower than standard variable rates.

Leeds also withdrew another mortgage, this time its 25-year, 8.99 per cent fix.

Last week I wrote that there was a danger good fixed rates would begin to disappear, especially since lenders were shifting the emphasis back to variable rate loans. This is partly because the margin on variable rates is much higher than on fixed rates.

Although six in 10 new mortgages are fixed rate, perhaps as many as 90 per cent of all mortgages are still on a variable rate. But if your lender offers a good fixed rate, there is nothing to stop you fixing all or part of the mortgage to give some security against rising interest rates.

Avoid those which are tied to insurance-related products and make sure you calculate if the costs involved in re-mortgaging are outweighed by the interest savings.

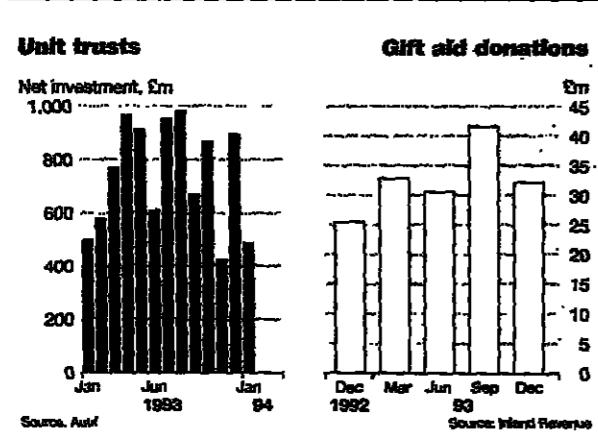
Many analysts still expect the next interest rate movement in the UK to be downwards, but rates will rise again as one cycle comes to an end and the next begins. There is always a chance that fixed rates may decline further, but they may not have scope to fall very far.

Unless you intend to pay down your mortgage over the coming years (capital repayment incurs early redemption penalties), it is a good time to fix your mortgage.

HIGHLIGHTS OF THE WEEK

	Price yesterday	Change on week	1993/94 High	1993/94 Low
FT-SE 100 Index	3281.2	-101.4	4520.3	2737.6
FT-SE Mid 250 Index	3819.9	-105.6	6152.8	2876.3
BT	427.6	-21.6	469.9	376
Barclays	541	-36	652	362
Bowater	507	+31	524	402
British Aerospace	505	-21	584	165
British Thornton	130	-33	195	115
Carr's Milling	208	+23	232	78
Gold Greenles Trott	239	-21	295	205
Grand Metropolitan	471	+13	506	373
Hunters Armley	230	+22	230	101
Macro 4	685	-50	723	523
NatWest Bank	487	-42	634	388
Shell Transport	702	-27	749	515
Unilever	1130	-76	1249	938
				Provisions

AT A GLANCE



New York Share crash on information superhighway

This is beginning to look a little worrying. First, US bond markets post heavy losses amid fresh concerns about the pace of economic growth and inflation. Then, one of the largest corporate deals in US history - the union between telecoms group Bell Atlantic and cable giant Tele-Communications - collapses, simultaneously knocking the stuffing out of merger-obsessed cable and communications stocks and creating a large pothole in the much-vaunted information superhighway.

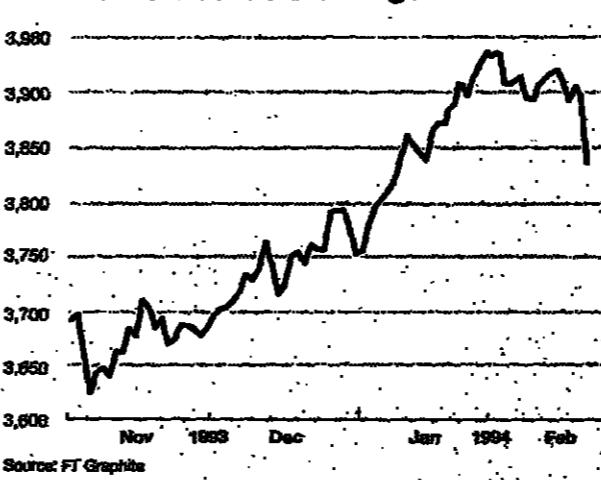
This nasty one-two punch left equity investors reeling, and the Dow Jones Industrial Average nursing a 52-point loss by Thursday's close. Since the Federal Reserve pushed up the bank overnight lending rate from 3 per cent to 3.25 per cent on February 4, the Dow has taken three steps back for every two steps forward. The net result is that the average has fallen 130 points, or 3.3 per cent, in three weeks of erratic trading.

There are analysts on Wall Street who are unperturbed by these events, and who scoff at this.

Two things are clear after the first round of the results season for Britain's five biggest composite insurance companies. One: the sector is now emphatically back in profit after its weather and recession-related problems of recent years. Guardian Royal Exchange will increase competition in the motor sector by launching its own direct writing company, Guardian Direct, bringing the total of "direct writers" to about a dozen. Already direct writers are beginning to tackle the home insurance market.

Two: the trading outlook over the medium term is marred by the prospect of a re-emergence of price competition, already visible in what has historically been the industry's most competitive market - motor insurance. The fear here is that the entry of the new "direct writers", telephone-based motor insurers like Direct Line, and a renewal of interest in the UK by European companies, as markets in France and Germany recover, will undermine pricing.

Dow Jones Industrial Average



Yet, since the Fed put up short-term interest rates, long-term interest rates, as measured by the yield on the benchmark 30-year bond, have risen from 6.30 per cent to 6.73 per cent. The yield on the 30-year bond has not been that high since June last year.

This rapid rise in bond yields concerns stock market investors primarily because higher interest rates could

undermine the robustness of the economy, and slow the pace of corporate capital-gains.

Also, if interest rates keep rising, investors might eventually be lured away from stocks and into higher-yielding fixed-income securities.

If this were not enough to

worry about, the demise of the Bell Atlantic-TCI deal has further dented the stock market's confidence. The collapse of the

merger, calculated to have been worth somewhere between \$20bn and \$30bn, is worrying on several counts.

From a strategic point of view, the removal from the board of what would have been the largest and most powerful player in the cable-telecommunications game reduces the incentive for other cable, telecoms and technology companies to forge similar alliances. Those companies considering joining forces to compete with the Bell-TCI giant may now be content to enter the new age of interactive information technology, communications and entertainment on their own.

From a financial point of view, the fact that the main reason the merger failed was because Bell and TCI could not agree on terms - Bell kept wanting to pay less for TCI (mostly because regulators have ordered cable companies to lower their cable television rates was likely to damage TCI's future cash-flow) and TCI was increasingly troubled by the drop in Bell's share price - means other companies seeking to conclude takeovers or mergers in the industry will

either to the US and Canada or to Europe.

Higher than average yields should also provide comfort for CU and GA. Supporters of Royal Insurance argue that the company's shares are significantly undervalued at its present level. On Thursday's closing price of 278p, the shares were trading on a prospective multiple of only 7 - assuming 1994 profits of \$290m. And, like Guardian Royal Exchange, Royal is trading at a discount to its net asset value, while Sun Alliance, Commercial Union and particularly General Accident are all trading at premiums to NAV.

Paul Hodges, analyst with James Capel, disagrees. He suggests that Royal, like Commercial Union, has potentially significant exposure to US pollution claims. Even assuming that Royal is able to increase its 1994 dividend by the same rate at which it has increased the 1993 payout, the share still yields a prospective of only 4.4 (on Thursday's closing price), lower than available elsewhere, says Hodges.

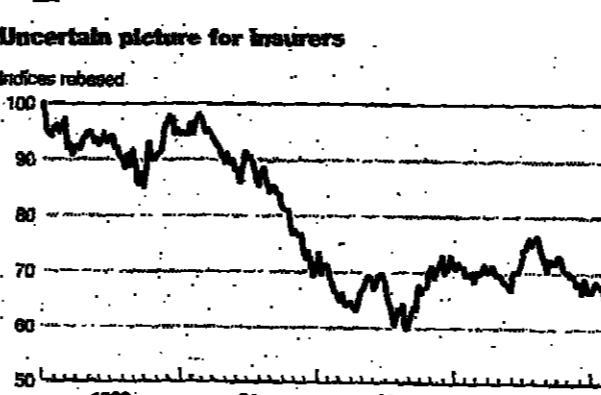
Patrick Harverson

Monday	Closed
Tuesday	3281.00 + 24.20
Wednesday	3281.00 - 19.95
Thursday	3283.90 - 51.78
Friday	

The Bottom Line

Clearer picture from big five

Uncertain picture for insurers



FINANCE AND THE FAMILY

Are company cars a waste of money?

With a new tax system for business drivers imminent, Scheherazade Daneshkhoo examines the impact

Should you keep your company car? The question arises because a new system of taxing the UK's 1.8m company car drivers will come into force from next month.

The old scale charges, based on three engine-size bands and two price "thresholds," will disappear. Under the simpler replacement system, tax will be paid on a fixed percentage of the manufacturer's list price when new, plus any extras and value added tax.

The new system - detailed by Norman Lamont, the former chancellor of the exchequer, in his March 1993 Budget - is aimed at ending distortions in the new car market. The government has said that, on average, the amount raised will be the same as under the old system, although some people will pay more and others less.

Most pay-as-you-earn employees will not be able to tell from their tax code if they are better or worse off because most are based on the old system. The Inland Revenue says this is because list prices have not been submitted by employers. Codes taking the new tax system into account will have the word "new" alongside the car benefit figure.

If the old system works to your advantage, it is unlikely you will be in a hurry to have your code changed; otherwise, you or your employer should contact the Revenue with the list price of the company car to have the code revised as soon as possible.

How will the new system work?

The amount on which you will pay tax at your marginal rate is 35 per cent of the list price of the car the day before it was registered; this price must include VAT, delivery charges, and any accessories of £100 and over.

The price is capped at £20,000, so that cars with a list price above this

amount will be taxed as though the price had been £20,000.

Drivers covering 2,500-17,500 business miles will have a reduction of a third on their assessment, while those covering more than 18,000 will receive a discount of two-thirds.

If your company car is four or more years old at the end of the tax year, there will be a further one-third reduction on the figure after deductions for business mileage.

The rules differ for classic cars or those without a list price. If a car is 15 years old or more at the end of the tax year, or has a market value of £15,000 or more (which is higher than the manufacturer's list price when the car was first registered), the price for tax purposes will be the open market value of the car and its accessories.

Fuel provided for private use will be taxed on the basis of the car's engine size and whether it is petrol or diesel-powered. But there is no tax if you pay for private motoring fuel yourself.

You can also reduce your tax bill if you contribute towards the cost of the car or its accessories to a maximum of £5,000 (including VAT).

Kevin Paterson, of accountant Ernst & Young, says the new system throws up some unfair anomalies. If it had been operating last year, two drivers doing the same business mileage in a Ford Mondeo 1.8iX, one taking delivery in March and the other in June, would have faced a £200 difference in their car benefit charge.

This is because Ford changed the list price of the car at least twice in the year.

Who will benefit?

Table 1 shows how to calculate if you will gain under the new rules. First, identify into which of the five brackets your car falls under the old system, based on its cost when new and its cylinder capacity.

Then compare your car's list price to the break-even list price shown in



the first column. If the list price is greater than the break-even figure, you are a loser; if it is less, you are a winner.

For example, all drivers of two-litre cars costing less than £19,250 will be hit if the list price of their car is greater than £12,514.

A survey released this week by W.F. Corroon, an actuarial and benefits consultancy, found that middle managers driving mostly Fords, Vauxhalls and Rovers costing between £16,000 and £23,500 would lose the most under the new system, with some paying as much as £500 extra tax.

In general, the losers are those drivers who chose cars at the top of the old hands," says Paterson.

How to decide between keeping the car or taking cash

Many company car drivers will have made this choice already, especially after scale charges were raised by 8 per cent for the 1993-94 tax year.

Calculating whether you would be worse or better off is difficult because it is hard to put a price on the convenience factor of driving a company car. If it breaks down or is involved in an accident, you do not have the bother of arranging a replacement or negotiating with the insurance company. And, if the insurance premium goes up because of an accident, you do not have to pay the increase.

"Parks" drivers who do not clock 2,500 business miles will pay proportionately the largest amount of tax, since they will not benefit from the

discounts. If you are such a driver but must have a car, it might still be more cost-effective to have a cheaper company one.

Maurice Fitzpatrick, of accountant Chantrey Vellacott, says that if you forego the company car to take a salary increase instead (based on the amount the employer saves by not providing you with a car), and then buy the same car, you will be neither better nor worse off as a result.

But, he adds, you are likely to see a benefit by taking an increased salary and then running a smaller car or one which does not fit the employer's policy."

Nilesh Shah, tax partner at accountants Bick Rothenberg, says most employees driving a car with a retail price of £18,500, and doing more than 18,000 business miles, will do better to keep it since the taxable benefit is reduced by two-thirds.

Shah adds that if you do decide to hand in the company car (or to buy it off your employer at a favourable second-hand rate) and claim business mileage on your own vehicle instead, be sure to negotiate the rate beforehand to make sure depreciation is taken into account.

Another option is to switch to a company car with a cheaper list price or to retain the company car if it is four years old. "If the list price

Table 1: BREAK-EVEN LIST PRICES

Bandings	Break-even list price (£)	Annual taxable benefit (£)		18,000+ miles
		2,500 miles or less	2,501-17,500 miles	
More than 22,000	43,029	15,060	10,040	5,020
21,025-22,000	25,614	9,315	6,210	3,105
Less than 21,025				
Engines class				
1400 cc or less	9,800	3,465	2,310	1,155
1401-2000 cc	12,814	4,495	2,920	1,495
Over 2000 cc	20,571	7,200	4,800	2,400

Source: Ernst & Young

Table 2: HOW MUCH WILL YOUR CAR COST YOU? (£)

Model	List price	Old scale charge	New benefit value	DMR	Change to tax bill
Roll-Royce Silver Spur II	118,428	10,040	18,667	8,827	3,451
Porsche 911 3.6 Turbo	80,489	10,040	18,667	8,827	3,451
Mercedes-Benz SL 500	74,400	10,040	17,380	7,320	2,920
Jaguar XJ 12	48,800	10,040	11,367	1,347	538
BMW 730i V8	38,850	10,040	8,985	-1,045	-416
Range Rover Vogue SE	36,150	10,040	8,430	-1,610	-644
Jaguar XJS 4.0S	33,700	10,040	7,983	-2,177	-871
Rover Sterling	27,985	6,210	6,932	322	123
BMW 623i SE	22,450	6,210	6,032	-178	-71
Saab 9000 CSE 2.0i	20,000	6,210	4,794	-1,206	-504
Ford Granada 2.0i Ghia	19,150	6,210	4,480	-1,473	-591
Volvo 850 SE 2.5	17,735	4,800	4,152	-348	-259
Audi 80 2.0E	16,829	2,980	3,867	887	347
Vauxhall Carlton Plaza 2.0i	15,850	2,980	3,722	732	293
Vauxhall Cavalier 2.0i SRi	14,325	2,980	3,343	353	141
Ford Mondeo 1.8 GLX	13,300	2,980	3,103	113	45
Rover 214 SLI	11,985	2,910	2,797	487	195
Peugeot 405 GL 1.6i	11,820	2,980	2,711	-279	-111
Ford Escort 1.4L 3dr	9,775	2,910	2,281	-59	-12
Mini Mayfair	6,785	2,910	1,586	-725	-591

Source: W.F. Corroon. Figures assume business mileage of between 2,500 and 17,500 and a 40 per cent taxpayer.

A tax cut that you'll hardly see

It is not every day that the government sets a tax rate at one level, only to reduce it a few weeks later, writes Richard Lapper. But this is exactly what has happened with the insurance premium tax, announced in the November Budget. Unfortunately changes in the way the tax will be charged will offset the impact of the reduction and consumers will hardly notice the difference.

The tax, which affects home, motor and some other insurances, will now be charged gross rather than net - before, rather than after, brokerage commission is deducted. The change will make it easier for insurance companies to collect the tax, and the rate has been lowered - from 3 per cent to 2½ per cent - so as to reduce the extra burden on insurers and their customers which would have resulted.

The yield - the amount of money raised - from the tax will now be about £750m in its first full year, rising to £830m in 1996-97. That compares with forecasts - calculated on the basis of a 3 per cent rate - of £775m and £840m. Policyholders will still face average increases of 35p a week on buildings, contents and motor insurance, although some companies have promised to absorb the tax rather than passing on costs to customers.

Some readers are wondering if the insurance tax can be avoided by pre-payment, adds Bethan Hudton. But the government has taken steps to prevent this.

Tax specialist Maurice Fitzpatrick, of Chantrey Vellacott, points out, however, that by shortening the term of annual insurance policies so that they expire in September, then renewing them for a year before October 1, you will escape liability for the tax for another year. Whether insurance companies agree remains to be seen.

■ See Motoring - page XV

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FINANCE AND THE FAMILY

OFT targets funerals

New issues

Investors seeking to take advantage of the housing sector's long-awaited recovery may want to study Graham Group, the builders' merchant which begins trading on March 8 with a value of £209.8m, writes *Peggy Hollinger*. This business has been starved of investment under its parent, PTR, and there is ample opportunity to improve margins. Graham, with its exposure to both the heavier timber and brick side of the business, and the lighter plumbing and kitchen sector, also is well placed to benefit from a pick-up in the housing market. There remain, however, concerns about Graham once the

initial benefits of restructuring come through. The top team, while more than capable of addressing the present problems, does not have wide experience of builders' merchanting. Graham will also be up against far bigger rivals such as Wimpey.

While well placed for recovery, questions remain also about the group's ability to manage the inevitable downturn. The inescapable feature of construction is its cyclical nature. Still, these are questions for two or three years from now. The shares appear almost certain to trade at a premium to the 183p offer price for the short term.

The week ahead

When HSBC Holdings announces its results on Monday, there will be strong interest in the dividend level. The poor reception of National Westminster bank's results last week was attributed partly to the fact that NatWest raised its dividend only 6 per cent compared with a 20 per cent rise at Lloyds bank. Analysts are expecting a rise of a third in pre-tax profits to £2.5bn, against £1.7bn. Midland is expected to more than double last year's £235m profit.

Without the exposure to past bad debts from corporate bailouts, Abbey National is likely on Tuesday to show a steeper increase in pre-tax profits for 1993 than the UK's other banks - to about £700m (£54m). Most attention will focus on the dividend increase, which some analysts are expecting to be generous because of Abbey's strong capital ratios.

Associated British Ports, also reporting on Thursday, is expected to rebound from last year's £26.6m pre-tax loss - recorded after £23.6m of property provisions - to show a full-year profit of at least £60m.

Results on Friday from Cookson Group, the specialist industrial materials company, should provide solid evidence of the state of recovery in both the UK and the US. Excluding a £5.5m exceptional gain on disposals announced at the interim stage, full-year pre-tax profits of between £90m and £95m are expected, against 1992's £72.5m total.

□ The sharp upturn in the new car market should help both T. Cowie and Henlys Group, two motor distributors which report their full-year results this week. Cowie, which also operates a sizeable vehicle leasing business, is expected on Wednesday to post pre-tax profits of about £33m (£24.3m). Full-year pre-tax profits for Henlys (due on Friday) of about £6.3m are expected, against a £9.8m 1993 loss.

□ Zemco's full-year results on Thursday, the first since the demerger last summer from ICI, have already been overshadowed by trading statements in January. The company should see pre-tax profits at close to £650m compared with a pro forma £422m last year. Its attractiveness to yield-minded investors should be consolidated with a dividend of 27.5p, giving the shares a yield of 4.6 per cent.

□ GKN, the engineering and industrial services group, is expected to report a 20 per cent decline in profits for 1993 on Wednesday. The group hinted at the £97m (£121m) pre-tax figure three weeks ago when it launched its contested 94p bid for Westland, the UK's only helicopter manufacturer.

Sir David Lees, GKN chairman, has blamed the decline on redundancy and restructuring costs of some £20m and an exceptional £1m charge covering closure costs at UES, the group's associated steel company. Special launch offer of 95p p.a. if you subscribe before March 1st, 1994 Jim Slater, author of *The Zulu Principle and Investment Made Easy*. The value of shares can go down as well as up. You should never invest more than you can afford. Issued by Larpent Newton & Co Ltd (a member of IMRO), 24-26 Baltic Street, London EC1Y 5TB. Larpent Newton & Co Ltd have approved Wealth Creator.

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T he Office of Fair Trading this week launched an inquiry into the pre-paid funeral industry. Only relatively few British people have chosen to organise their own funerals while still alive although the idea is big business in the United States and has begun to catch on in the UK.

But the collapse of one UK firm, Will Writing Services, the business of which included selling pre-paid funerals, has drawn attention to the fact that the sector is not subject to any regulation.

Sir Bryan Carsberg, the OFT's director-general who announced the inquiry, said: "The financial implications of the growth of pre-paid funerals are considerable."

If only a quarter of the 20m people in the UK over 50 bought pre-paid funerals at an average of £21,000, the money involved would add up to £5bn.

Carsberg added that the funds would not be regulated or safeguarded by any legislation because they represented advance payments for services and did not fall within the definition of savings, investments or insurance.

The OFT's main concern is to protect consumers' money by ensuring it is kept separate from funeral companies' other funds and monitored by independent trustees.

But officials also are worried that over-elaborate and expensive funerals could be sold to vulnerable or elderly people who were unable, or too confused, to resist the salesmen's blandishments.

Four main companies offer pre-paid funeral plans in the UK: Chosen Heritage (the largest), Dignity, Golden Charter, and the Co-operative Wholesale Society. All are linked to existing large funeral

businesses or networks of funeral directors.

They offer a range of funeral plans, from basic to ostentatious, some of which can be tailor-made.

Although the pre-paid funerals industry is still fairly small, it has two rival trade organisations: the National Association of Pre-paid Funeral Plans (leading members: Chosen Heritage and Dignity) and the Funeral Planning Council (leading members: CWS Funeral Services and Golden Charter).

The NAPF this week launched a code of

Fair trade inquiry
is aiming to protect
consumers' money

practice covering the monitoring of investments, advertising guidelines, and procedures for handling complaints. The OFT is still working on its version.

Age Concern, the charity, has links with the Chosen Heritage scheme. It has published a check list of information customers should get before buying a pre-paid funeral plan. This includes:

■ Does the money go into an independent trust fund, separate from the other assets of the company?

■ Does the plan guarantee to cover the cost of a specified funeral service, no matter how far in the future the need arises and how much costs have risen?

■ Does the plan cover the full cost of the funeral, or are there extra services which will need to be paid for at the time of the funeral?

■ Is the plan portable (in case you move), or can your money be refunded?

Further information: Age Concern England, Freepost, Astral House, 1588 London Road, London SW16 4BR, or your local branch: National Association for Pre-Paid Funeral Plans, 618 Warwick Road, Solihull, West Midlands, B91 1AA; the Funeral Planning Council, Crownside, 1 Ferdinand Place, London NW1 8EE.

Bethan Hutton

spread down to 3 per cent until March 29.

Peep investors can choose between four unit trusts instead of two. These are Norwich Union's UK Equity Growth, UK Equity Income, UK Smaller Companies and European trusts. Annual charge is 1.5 per cent.

Yorkshire building society has launched its own telephone share dealing service through its subsidiary, YorkSHARE. Until the end of July, the minimum commission on telephone deals will be £9. Commission on deals up to £4,800 is 0.75 per cent, while deals over £4,800 will cost £3.50 plus 0.1 per cent on excess over £4,800.

From July 31, the charges will be 1 per cent (minimum £14), and £48 (plus 0.1 per cent) on deals over £4,800. There is a one-off membership fee of £5.

News in brief

percentage point bonus until April 29.

Pilling & Co., a Manchester-based stockbroker, has cut the minimum dealing charge on its self-select personal equity plans to £10 from £30. The dealing commission rate is 1.6 per cent.

Maximum payout is 13 per cent, so investors will not benefit from base rates rising above 11 per cent.

About 55 per cent of the underlying fund will be invested in UK blue chip shares and another 40 per cent will be in derivatives, mainly futures and options. The balance will be held in cash.

This is potentially a less risky fund in terms of preserving capital than the others, which pay 10 per cent, since the income stream is linked to base rates. Investors should check to see that they are happy with the performance of Abbey funds.

Minimum investment is £3,000. Initial charge is 6 per cent and annual management fee is 1.5 per cent. There is a 1

percentage point bonus until April 29.

Norwich Union is offering a 3

percentage point discount on lump sum investments of £3,000 or more into its Peep unit trusts, bringing the bid-offer

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£'000)	Earnings* per share (p)	Dividends* per share (p)
Allied Irish Banks	Bank	Dec 31	192,900 (175,900)	20.2 (16.8)	8.75 (8.7)
Anticrime Smaller Enter.	Int'l	Dec 31	14,286 (6,669)	3.46 (3.03)	34 (34)
Anglo & Clydes Trust	Int'l	Dec 31	50,918 (27,698)	7.71 (7.78)	7.15 (8.85)
Bradford & Bingley	Int'l	Dec 31	134,300 (61,300)	-	-
British Aerospace	Eng	Dec 31	237,000 L (12,000 L)	-	(8.1) (7.0)
British Gas	Gas	Dec 31	1,658,000 (648)	13.8 (14.5)	14.1 (14.1)
Cap & Regional Prop.	Prop	Dec 31	1,170 (432)	3.04 (3.04)	1.5 (1.5)
City Merchants High	Int'l	Dec 31	148,200 (10,672)	9.02 (8.79)	8.79 (8.79)
Commercial Union	Int'l	Dec 31	211,000 (24,000)	55.8 (48.0)	24.05 (24.05)
Coventry Building Soc	Int'l	Dec 31	32,100 (34,700)	-	-
Davidson & Associates	Int'l	Dec 31	10,000 (10,000)	1.9 (1.9)	1.9 (1.9)
Dunelm Mill Growth	Int'l	Dec 31	78,416 (59,818)	27.05 (26.1)	26.1 (26.1)
Edgar Investment Trust	Int'l	Dec 31	105,531 (55,531)	1.17 (1.17)	1.17 (1.17)
Edinburgh Oil & Gas	Int'l	Dec 31	161 (59)	0.93 (0.93)	-
F & G Enterprises Trust	Int'l	Dec 31	72.9 (55.8)	0.89 (0.89)	0.89 (0.89)
Farway Group	Prop	Dec 31	2,250 (1,500)	4.79 (2.98)	2.98 (2.98)
Genet	Int'l	Dec 31	54,800 (45,800)	6.21 (5.69)	28.0 (28.0)
Grafton Group	Bank	Dec 31	4,130 (3,000)	20.9 (18.8)	7.25 (7.25)
Grosvenor Dow Capital	Int'l	Dec 31	182.3 (182.3)	-	(2.52) (1.1)
GRE	Int'l	Dec 31	751,000 (150,000)	74.5 (13.2)	7.5 (7.5)
ICL	Chem	Dec 31	280,000 (160,000)	20.4 (12.5)	27.5 (27.5)
Imperial Chemical Group	Int'l	Dec 31	64,111 (55,688)	-	-
Lincoln Homes	Int'l	Dec 31	274 (15)	1.6 (0.7)	0.7 (0.7)
London Finance & Inv.	Offn	Dec 31	182 (229)	0.54 (0.54)	0.54 (0.54)
Low & Bowes	Prop	Dec 31	31,800 (8,100)	21.77 (18.59)	18.59 (18.59)
Marlin Hill Group	Int'l	Dec 31	74.6 (108.6)	3.44 (3.28)	3.28 (3.28)
NatWest Westminster Bank	Bank	Dec 31	985,000 (287,000)	35.0 (10.0)	18.5 (17.5)
Norwich Building Soc	Int'l	Dec 31	13,900 (13,100)	-	-
Pacific Assets Trust	Int'l	Jan 31	881.1 (850.8)	2.07 (1.14)	1.14 (1.14)
Provost Financial	Offn	Dec 31	2,050 (1,000)	13.2 (11.8)	11.8 (11.8)
Regent Investors Inv.	Int'l	Dec 31	224 (1,200 L)	-	-
Regent & Investors Inv.	Int'l	Dec 31	54.57 (51.5)	0.17 (0.17)	0.17 (0.17)
River & Mercantile	Int'l	Dec 31	261.85 (183.85)	10.17 (7.87)	8.7 (8.7)
Robt Dutchell	Int'l	Dec 31	3,228 (3,228)	-	0.2 (0.2)
Royal Insurance	Int'l	Dec 31	143,000 (27,000)	22.0 (7.5)	7.5 (7.5)
Scalpel	Int'l	Dec 31	70,500 (56,700)	8.0 (7.5)	6.0 (6.0)
Self	Prop	Dec 31	1,230 L (740 L)	-	-
Shiregrove	Int'l	Dec 31	1,463 (1,000)	5.43 (5.43)	5.43 (5.43)
Southgate Beacons	Prop	Dec 31	1,220 (1,000)	25.1 (25.1)	10.0 (10.0)
Tai Chi High Income Trust	Int'l	Dec 31	144.5 (

FINANCE AND THE FAMILY

A man for all reasons

Bethan Hutton and Barbara Ellis on the insurance ombudsman's annual report



Jillian Farrand, the insurance ombudsman, does not have an easy job. On his desk - and those of his many assistants - land the cases of the most tenacious complainants and the most intransigent insurance companies. More and more arrive every year.

The task for Farrand and his staff is to look at the cases objectively and try to work out a common-sense solution which is fair to everyone involved. On average, one-third of cases result in at least partial success for the complainant.

This impartial approach means he is plagued by both sides. In his annual report, published this week, Farrand makes a heartfelt plea for people not to be abusive over the telephone or write every week repeating the same arguments. But he also asks insurance companies not to react negatively when facing an investigation.

Of the 63,000 calls and letters received by the bureau last year, almost 90 per cent concerned matters outside its scope. It can take on only cases involving companies that belong to the scheme - and then only when the customer has exhausted a company's own complaints procedure.

Farrand's jurisdiction covers the whole range of insurance, from a one-week travel policy to long-term life cover. The highest award made last year was £230,000 and the smallest £3.48. Occasionally, claimants are seeking merely a moral victory or, perhaps, an apology.

Some cases handled by the bureau are disturbing. One involved a joint life insurance policy, taken out by a married couple, where the husband murdered his wife in front of their three children before killing himself. A compromise was reached, under which half the policy's value was paid to the wife's estate.

Some are comic, such as a

policyholder's claim that the devastation caused by two young puppies with very sharp teeth left alone at home came under the definition of "animals colliding with the house." His case was rejected.

The bulk of the bureau's time, however, is taken up with much more mundane matters of home income plans, administrative incompetence, policy churning, subsidence claims and so on.

Once a case has been given to a worker, the average resolution time is 3½ months. But patience is necessary: the long-

'One case involved a husband who murdered his wife...'

gest-running case - a complicated matter of subside - has taken about seven years.

Life assurance continues to draw more complaints than any other single category. But 39 per cent of these are resolved in the customer's favour compared with 28 per cent for general insurance cases.

The most common complaints about life assurance are poor communication, administrative failure, bad service, and mis-selling.

The level of fraud and excessive claims is worrying the insurance industry. Fraud is said to cost honest policyholders £1m a day, while there is widespread acceptance of the attitude: "It doesn't matter, I'm insured." But measures taken to clamp down on this can penalise honest, responsible claimants.

Insurers are tending to apply more strictly the "reasonable care" provisions of many policies. Complaints frequently involve travel insurance, and belongings left on beaches: In one case, where £4,000-

compensation claims from home income plan investors have been pitched into further doubt in what has become a three-year tussle between the insurance and building societies ombudsman and the institutions under their jurisdiction.

Home income plans are packaged investments consisting of a mortgage taken out to buy an insurance company investment bond. Thousands were sold during the late 1980s on the basis that income from the bond would pay the mortgage interest and provide an income. But many salesmen failed to warn about the risks of spiralling debt and repossession if house prices and investment returns fell, and interest rates rose.

Julian Farrand, the insurance ombudsman, says home income plans are the most significant part of his work load, totalling about 1,000 cases now with one or two new complaints arriving daily. So far, he has closed about 80 cases, with payouts to investors averaging £55,000, and distress payments averaging £1,500. But Farrand now faces a challenge from Sun Life.

Last year, a QC acting as arbitrator in a case involving Legal and General ruled that the insurance ombudsman could not deal with a complaint about the mortgage element of an endowment mortgage package.

Farrand felt this put home income plans outside his jurisdiction but John Craddock, a retired L&G executive who chairs the ombudsman scheme board, said he should continue handling them.

Farrand now is considering

a handful of cases involving Sun Life although the company says it does not think they fall into the category of home income plans. Geoffrey Holt, compliance executive at the company, says two of the investors took out roll-up mortgages from building societies, then approached a Sun Life salesman to invest part of the money raised in a bond.

"We will look at the advice on the bond, but it is up to the societies to deal with the mortgage," says Holt.

Ombudsman covering the building societies have no jurisdiction over "pre-completion" matters such as advice given before a person takes up a mortgage as part of a home income plan. They are handling some home income plan complaints, but only with the voluntary consent of the societies concerned. Some have refused flatly to co-operate.

Although a Building Societies' Association report has recommended the ombudsman's jurisdiction be extended to pre-completion complaints, it was careful to exempt complaints about the selling of investments, saying these would be "more appropriate" to the new PIA ombudsman (see page 19) due to start work in July. But this could entail disastrous delay for investors, as most were elderly when they bought the plans.

Moreover, if the PIA also takes over Farrand's long-term insurance case load, home income cases presumably will be included, resulting in a probable halving of the maximum £100,000 compensation available from the insurance ombudsman now.

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The Insurance Ombudsman Bureau, City Gate One, 135 Park Street, London SE1 9EA. Tel: 071-923 7602.



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FINANCE AND THE FAMILY

Watching and waiting

Alison Smith assesses the new Personal Investment Authority

From July a new watchdog, the Personal Investment Authority, is due to open for business. The PIA's brief is to improve sharply the standards for independent financial advisers, life companies, banks and building societies selling financial services to private investors. It will replace the existing regulatory bodies for these services such as Fimbra and Lautro.

There is some scepticism in the industry and among consumer groups about whether

the systems it sets up will be a degree of overkill for even the most aggrieved investor.

In the first instance, these systems cover the internal procedures for handling complaints of every firm regulated by the PIA. The firms must acknowledge complaints within seven days and give the customer a copy of an official leaflet setting out how these are dealt with. If the issue is not resolved in two months, the customer must be told he can refer the matter to the PIA ombudsman.

The second stage is the ombudsman scheme itself. The ombudsman will try to conciliate but, if that proves impossible, will make a judgment.

Whatever the strict legal position, he will be able to give precedence to the PIA's own principles, rules and codes.

If the customer is content with the ombudsman's award (up to a maximum of £50,000), then the firm will have to pay. Above that limit - which is half that for the insurance ombudsman at present - the PIA ombudsman can recommend a high award if he thinks the case warrants it.

Firms will have to join the scheme, but they will also be able to volunteer to give the ombudsman an extra role. This will cover complaints relating to life policies - an issue that goes wider than simply regulating the way a firm does business. In this role, the ombudsman could deal with a complaint about how a life office had handled a maturity claim - an area which might well not affect the way in which the PIA regulates one of its members.

As is usual with ombudsman schemes, that of the PIA will be supervised by a council - chaired in this case by Baroness Turner of Camden, a Labour front-bench spokesman in the House of Lords. In addition, the PIA will appoint a complaints commissioner whose task will be to keep under review, and report annually on, how the PIA handles complaints against the firms it regulates - and against itself.

Some estimates for compensation over these transfers have reached £1bn, but even those who refuse to believe they will be that high concede they are likely to top £100m - although at least some of that will be covered by the firms which wrote the business and have made provisions against possible liabilities.

A permanent agreement about how to handle pension transfer claims where firms are unable to meet their liabilities is unlikely to come into effect until the autumn.



Baroness Turner: supervisor

Investments Board, the City's chief watchdog, published its proposals for overhauling the investors' compensation scheme (ICS). This acts as a safety net for investors who have lost out from bad advice and find that those responsible are not around to provide compensation.

SIB's paper says that compensating people who have lost out after following poor advice to transfer from an occupational pension scheme will be dealt with outside the normal ICS arrangements.

Some estimates for compensation over these transfers have reached £1bn, but even those who refuse to believe they will be that high concede they are likely to top £100m - although at least some of that will be covered by the firms which wrote the business and have made provisions against possible liabilities.

A permanent agreement about how to handle pension transfer claims where firms are unable to meet their liabilities is unlikely to come into effect until the autumn.

In other respects, however, this week's proposals will not affect the way in which the ICS operates as far as investors are concerned. SIB has decided against the suggestion that separate schemes for different parts of the financial services sector might be set up.

Nor will there be a change to the limits on compensation paid for any one claim: a maximum of £28,000, made up of 100 per cent of the first £30,000 and 90 per cent of the next £20,000.

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Your CGT allowances

The table shows capital gains tax indexation allowances for assets sold in January. Multiply the original cost of the asset by the figure for the month in which you bought it. Subtract the result from the proceeds of your sale; the balance will be your taxable gain or loss. Suppose you bought shares for £6,000 in September 1985 and sold them in January 1994 for £13,000. Multiplying the original cost by the Sep-

CGT INDEXATION ALLOWANCES: January					
Month	1982	1983	1984	1985	1986
January	1.710	1.827	1.549	1.468	1.413
February	1.703	1.820	1.537	1.463	1.407
March	1.779	1.700	1.515	1.523	1.461
April	1.744	1.676	1.594	1.491	1.447
May	1.731	1.669	1.588	1.484	1.444
June	1.726	1.665	1.584	1.481	1.445
July	1.726	1.657	1.588	1.484	1.449
August	1.725	1.649	1.571	1.480	1.444
September	1.726	1.642	1.568	1.481	1.437
October	1.718	1.634	1.558	1.478	1.435
November	1.709	1.630	1.554	1.473	1.423
December	1.713	1.626	1.555	1.471	1.418

Source: Inland Revenue

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FINANCE AND THE FAMILY

Small - but thinking big

Chamberlain De Broe: fifth in a series on fee-based advisers

Four years ago, James Higgins launched Chamberlain De Broe with a handful of colleagues plus a 'top-up' mortgage and a couple of gold cards. Today, he is laying plans for a mini-flotation in the summer. Little wonder that he claims the insurance industry exaggerated consumers' resistance to fee-based advice.

He says: "We will be selling off part of the company to raise finance to duplicate this London office in a number of towns. Basically, we are saying that Chamberlain De Broe has come from nowhere to a turnover of £1m in four years and it is now going somewhere else. I don't want to stay a small player. I think the country can support Chamberlain De Broe offices in every major city."

A business studies graduate, Higgins worked in the financial services industry for 10 years before founding Chamberlain De Broe in 1990. During that period, he became increasingly uncomfortable with the prevailing sales-driven environment. He says: "I wanted to advise on savings which paid no commission whatsoever; to have the pleasure of being able to say to people 'Keep your money in the building society and we will tell you when to jump.' If someone comes in with a lot of money, we want them to retain us - but we don't want to sell them anything on the first day."

"People know there is no vested interest in what we say. I don't like what commission hunger does to people. I remain convinced that the structure of the industry has worked against the consumer and the adviser having a sound relationship."

The fledgling firm, with its made-up name, had some good fortune soon after launching when it produced a booklet on inheritance tax planning. Such publications may be common - but this one was mentioned on a Channel 4 television programme. Before Chamberlain De Broe's tiny staff could catch its breath, 12,000 people had asked for a copy.

Higgins says: "We didn't even have computers and it cost us a fortune, but that's

The Independents



Name of financial adviser: Chamberlain De Broe Ltd
Address of head office: 120 Jermyn Street, London, SW1Y 4QJ
Date firm was established: March 1990
Regulator: Fimb
Funds under management: £30m not including BES, GIBS or execution-only sums
Number of clients: 170 retainer; 2,500 execution only
Number of offices: 1
Minimum investment accepted: None
Services offered: Personalised "bespoke" financial planning and investment execution-only services
Fee: £1,800 (average)

where it really started because we had put a bit in the booklet on the fees versus commission question. We received because there was a high level of demand. We received a lot of positive editorial because we were telling a different story and that was newsworthy. To be blunt, the reason people call and follow through is because there is not a lot of opposition out there."

Like many fee-based advisers, Chamberlain De Broe does not have clients for an initial meeting. "It gives us a chance to see if we can do anything for them," Higgins explains. "At the moment, I try to see all new prospective clients. We put a lot of effort into understanding the client in the first place. We concentrate like crazy."

While Chamberlain De Broe does not require any minimum initial investment from a client, it does not pretend it can help the £20-a-month saver or the investor of modest means. Higgins suggests that the average Chamberlain De Broe retainer client "will probably need to be someone with capital of around £150,000 to £200,000 before we can add value."

Once a client is signed up, the firm aims to be his financial general factotum. Five

staff deal with private clients and two more handle the still small corporate client business.

Chamberlain De Broe's execution-only services, which tend to centre on unit trusts, new launches and new issues, are charged on a fixed-rate basis. "These people don't need attention by and large," says Higgins. "They know what's what out there and they want to deal."

Fees for the firm's all-embracing retainer service - which provides regular reviews of all a client's affairs and personal contact once a year - are more fluid and reflect the complexity of his needs. They could be as low as £250 but the average is £1,800. Higgins says: "We try to base our fees as much as we can. We look at someone and see how much time they will take, over the year. If someone comes in with £2.5m, for instance, you know they will take up more of your time."

Although Chamberlain De Broe does a considerable amount of investment work, this is not the major feature of its personalised financial planning service. "We do the asset allocation but we farm out the investment management," says Higgins. "My idea is to be the focal point of the client's

affairs." No client money is handled by the firm.

Higgins favours a pyramid structure for clients' investment portfolios. "The base has loads of cash, particularly at the moment. The little bit on the top is the risk money."

He cites Genesis Chile as one of his successes. "It did incredibly well for us but, in the same market, we went into a Latin American warrant fund where I panicked totally. I went in, made 5 per cent overnight and bailed out. It then shot up."

The Chamberlain De Broe London office is on the corner of Haymarket, near Piccadilly Circus, and the firm will open another branch in the West Country later this year. Higgins anticipates a trouble-free launch. He says: "I have gone through the learning curve. Today, I won't waste so much effort on the execution business. It is attractive for cash flow but there is not much profit and there was a time when far too much of our resources were going to these clients."

Higgins adds: "What we are trying to do is bring the personal service back. The financial services industry doesn't offer that it offers a sales service."

Joanna Slaughter

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FINANCE AND THE FAMILY

Insurance for Life / Debbie Harrison

Where freedom is everything

Funds under management at Scottish Widows exceed £2bn, which makes the third largest mutual in terms of asset size. The power it exerts in the life and pensions industry has led to the label "Scottish mafia", which it shares with two other mutuals north of the border, Standard Life and Scottish Amicable.

In terms of financial strength – a key feature in any long-term investment provider – the society was awarded Standard & Poor's top assessment because of its strong free asset position and initiatives taken to improve efficiency and quality of service. As a proportion of total assets, the level of free assets indicates how much capital is available for development as opposed to assets set aside to meet liabilities to policyholders. The free asset ratio is an important indicator for mutuals since, unlike proprietary life offices, they cannot go to the stock market to raise capital.

Scottish Widows has free assets worth more than £2bn, which is 20 per cent greater than the average of the top 10 mutuals. Managing director Mike Ross says: "A strong financial position enables us to maximise the investment freedom which we can give to our investment managers. Greater investment freedom means greater policyholder returns over the longer term."

Nevertheless, the society's performance has dived in recent years. Poor performance has hit its most popular funds – conventional with-profits, managed unit-linked, and equity unit-linked.

The with-profits story reflects the problems that have beset the entire sector. With-profits funds aim to achieve a good, but steady return through investment in gilts, fixed interest, property and equities. Part of the return is guaranteed; hence the attraction for investors seeking a degree of security.

For some time, the society has ploughed a substantial proportion of its with-profits fund into equities and property. But poor historic returns on prop-



FACT FILE 4

Name: Scottish Widows Fund and Life Assurance Society
Status: Mutual
Founded: 1815
Market position: Third largest mutual in terms of asset size
Financial strength: Standard & Poor's assessment is "good"
Funds under management: £21.8bn (at 5/1/94)
Premium income: £1.78bn in 1992 (life and pensions)

Number of personal pension plan clients: 450,000
Number of transfer plans sold: 35,000

Sales outlet: 85 per cent through independent advisers, 5 per cent through direct sales and tied agents.

Plans to increase direct sales to 20 per cent of distribution

Commission paid: Average life office rates to independent advisers, up to 47 per cent and 60 per cent of the first year's premiums on a 20-year contract.

No commission terms available? Yes, through any adviser or tied agent. Where commission foregone, a greater proportion of premium actually invested in plan.

Receiving single premiums? Yes.

Expense ratio (management expenses divided by total premium income): 20.15 per cent in 1991, 18.12 per cent in 1992 (industry average last calculated in 1991 at 12.3 per cent).

Redemption in yield: 1993 equivalent annual percent charge over the life of this contract: 1.5 per cent on 25-year unit-linked premium plan, 1.6 per cent on 15-year unit-linked premium plan, 1.6 per cent on 10-year unit-linked premium plan, 1.6 per cent on 5-year unit-linked premium plan.

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Redemption in yield: 1993 equivalent annual percent charge over the life of this contract: 1.5 per cent on 25-year unit-linked premium plan, 1.6 per cent on 15-year unit-linked premium plan, 1.6 per cent on 10-year unit-linked premium plan, 1.6 per cent on 5-year unit-linked premium plan.

Commission paid: Average life office rates to independent advisers, up to 47 per cent and 60 per cent of the first year's premiums on a 20-year contract.

No commission terms available? Yes, through any adviser or tied agent. Where commission foregone, a greater proportion of premium actually invested in plan.

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TRAVEL

Antarctica – beyond the comfort zone

Michael J. Woods watches seals, terns and whales in inhospitable waters

With hardly a sound, the sea lapped on to the shore of granite, ground to a silky smoothness by ice and water – itself blanketed by a layer of snow.

Portly crab-eater seals lay enveloped in the folds of this fluffed and plumped duvet or sprawled on bluish ice floes carved and drawn like glass into delicate graceful shapes by the sea. Distant cliffs of rock and ice loomed through a mist of floating flakes of a soft shower of snow.

Antarctic terns cried and hovered over a shoal of fish, diving and swooping upwards on confident wings. But from a distance came the sudden roar of a collapsing ice cliff which, with immense force, sent a surge of waves sweeping into the bay, a timely reminder that Antarctica is far from placid and, even in the austral summer, can be fierce and inhospitable.

I had come here to fulfil a childhood dream born out of Scott, Amundsen and Shackleton, nurtured by Edmund Hillary and Vivien Fuchs and given a final push by David Attenborough's BBC series, *Life In The Freezer*.

From Punta Arenas in southern Chile our cruise ship, *World Explorer*, had navigated the Beagle Channel, rounded the Horn and then braved the Drake Passage, a two-day gauntlet run by every visitor to the Antarctic Peninsula. The gods had been kind, and we stole into the shelter of the South Shetland Islands with half a day in hand.

This gave us time to slip into the Weddell Sea, gliding delicately between tabular icebergs which had calved from the ice shelf and were drifting slowly away from the continent. These flat-topped monoliths, like blocks of flats badly cast in concrete, towered high above the seven decks of the ship. That a further eight ninths plunged into the depths below was almost beyond comprehension.

Although there were some on board who had no intention of going ashore, and others who simply wanted to tick off their final continent, many of the passengers told me that they really weren't "cruise people". They were there because the only way that Antarctica is readily accessible to ordinary visitors is by cruise ship. These not only provide comfort-

able accommodation with minimal impact on the environment, but visits to the shore by inflatable Zodiacs can be more easily controlled.

I happened to be on *World Discoverer* when it was undergoing its biennial check by an observer from the National Science Foundation who had come along to ensure that the cruise was being run in a safe way; that passengers were receiving both education and supervision with regard to the wildlife they were seeing; and that the operation was observing the guidelines set down by its own controlling body, the International Association of Antarctic Tour Operators (Iaato).

This may sound dreadfully regimented and restrictive, but some constraints are clearly necessary as the numbers of visitors to what amounts to only a tiny proportion of the continent grows.

Such controls are at their most extreme only when large numbers of passengers are ashore. As a result, the expedition leader's advice to take an early Zodiac ashore and catch the last one back was worth heeding.

On one of my trips ashore I watched a mass of chin-strap penguins in an odorous rookery high on a stony hillside. There were birds feeding chicks, stealing penguins from their neighbours' nests, preening, displaying or making their ponderous and squelchy way over dirty snow to and from the sea.

On the shore below, a steaming hump of elephant seals wobbled irritably as one animal tried to burrow further into the pile. Occasionally things proved too much and a pair reared up, snorting and lunging, until honour was satisfied and the two brown blanchemangs settled down once more.

As we climbed aboard the last boat to leave our final landfall at Port Lockroy, one of the guides spotted the blow of a humpback whale a short distance away, and we set off over the choppy water for a closer look.

The three great mammals were in no hurry and lazed along on the surface, breathing noisily before arching their backs with utmost grace and sliding into the depths, lifting their tails clear of the water – called fluking – before disappearing with hardly a ripple. The Zodiac, which for a few seconds had been dwarfed by cetacean tails,



The frozen splendour of Antarctica from the decks of the *World Discoverer*

erupted with elated cries.

We followed the circular upwellings of water created by thrusts of their flukes, and were there when they resurfaced after just 3½ minutes. Again they lazed on the surface, again they fluked. But time was passing and we had to return to the *World Discoverer*.

Back on board, the mother ship began to shadow the whale. The sun was falling in a clear, pale blue sky and our position between the Antarctic Peninsula and several large islands felt as if we were sailing on a vast lake surrounded by the soaring spires of mountains,

unnamed and unexplored, with dark, snow-dusted peaks piercing the huge iceflows.

These, the product of decades of snow, clawed down the mountain sides and crumpled over folds in the underlying rock before calving chunks into the dark blue Antarctic Ocean.

The great cetaceans had the muscle to outpace us had they wished, but they continued on their leisurely way, fluking and diving to delighted cheers from the bows.

It would be hard to think of a natural spectacle more magnificent than watching these massive mammals in a primeval landscape of such grandeur, so outside the human dimension as to be at once both humbling and awe-inspiring.

Most of those on the ship – some were extremely well-travelled – were unlikely to experience a scene of such power and splendour anywhere else.

Michael Woods travelled to Antarctica c/o Clipper Voyages: Suite 301, Albany house, 324-326 Regent Street, London W1R 5AA. Reservations: 071-436-2931. The company runs adventure cruises during the austral summer (16 nights or more).

All-inclusive prices, including airfares, transfers, hotels where necessary, full board on the ship and insurance, start from £4,606 (1994-1995 season) for the 16-night cruise that Woods experienced (two departures: Dec 4 1994 and Jan 2 1995). Clipper will be operating a further six voyages to the Antarctic, taking in, additionally, the Falklands and South Georgia. *World Discoverer* handles a maximum of 138 passengers.

Clipper provides a padded parka but other items are essential. Thermal underwear as a base layer, and good quality fleece garments such as those made by Mountain Equipment (tel: 061-366-5020) as an intermediate layer, should be covered with a windproof outer shell. The parka is fine but Woods found a Goretex outer over a down jacket more flexible. Waterproof trousers and wellingtons are essential in the Zodiacs and for wet landings.

Photography: take plenty of film as well as spare batteries, which are exhausted more quickly in the cold. A tripod is useful at the penguin rookeries and for the seals. Carry polythene bags to protect your gear.

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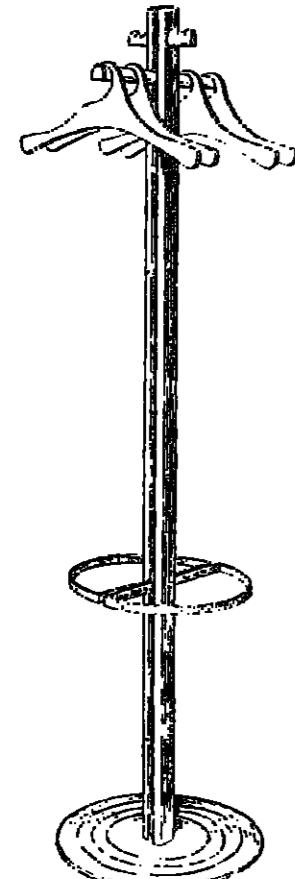
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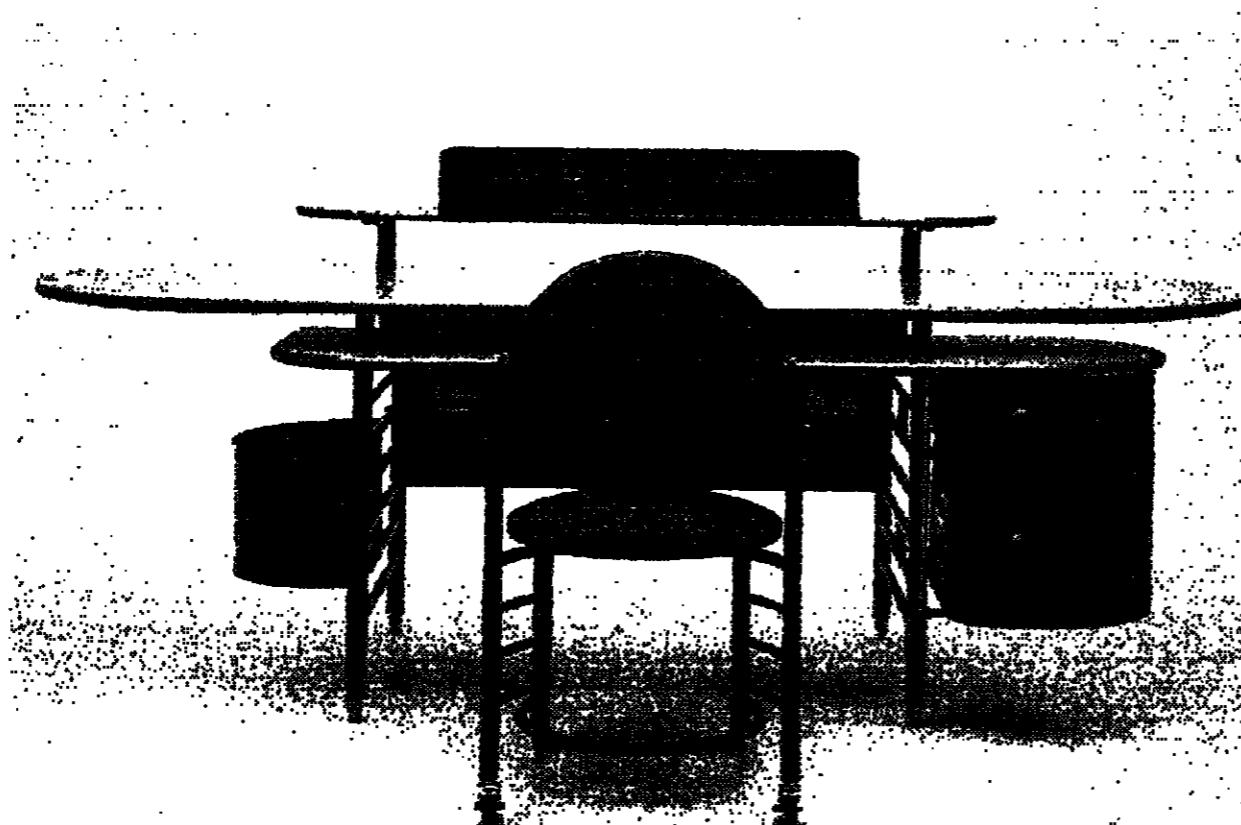
WEEKEND

HOW TO SPEND IT

Classics for the home



Philip St Pier's coat stand



Frank Lloyd Wright's desk and chair originally designed for Johnson's Wax

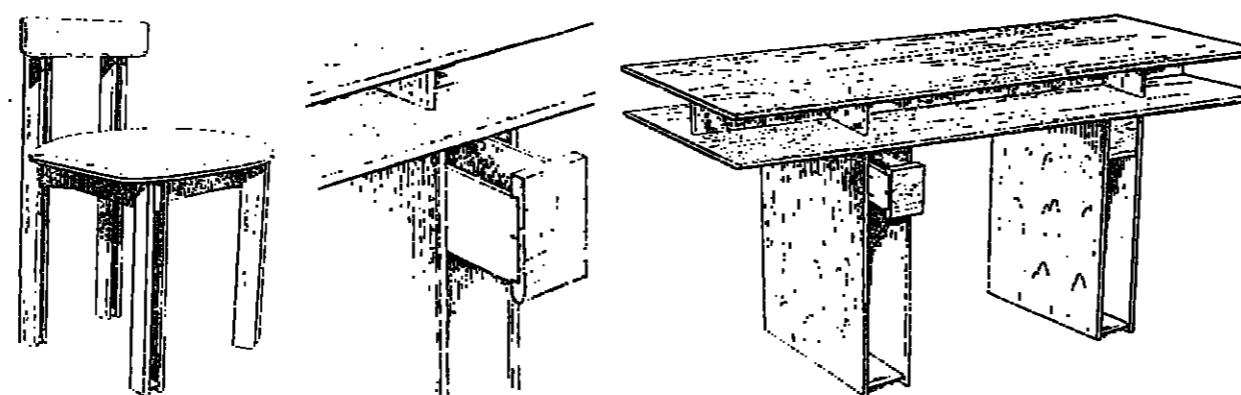
No-one who has visited Frank Lloyd Wright's famous building for S C Johnson & Co in Racine, Wisconsin, forgets it.

I still remember how it looked 12 years ago - a cool, tranquil, elegant building, filled with light and air, so unlike any other office building I had been in. It stood there, modern, yet classic, its slender, mushroom columns rising from the floors, a seemingly idyllic combination of the functional and the beautiful.

But what impressed me most was that everybody, from the managing director to the humble clerk and office worker, had a Frank Lloyd Wright desk of their own.

They were not all identical but they all were recognisably from the same family. They were all variations on a theme and had been made specially for the building and its workers. For Frank Lloyd Wright, like his contemporary Charles Rennie Mackintosh, believed that a totally harmonious environment needed to be planned as a whole - furniture and artefacts had to be part of the grand scheme.

Looking for a desk that is beautiful enough for domestic use and practical enough for work? Lucia van der Post has the answer



A chair, detail of a drawer and a desk from Philip St Pier's Consort collection

Originally designed in the 1930s they are still in use and still look elegant. Anyone who is looking for a desk that is beautiful enough to fit into a domestic setting and practical enough need look no further than Cassina's reproductions.

After a long courtship Cassina, the Italian furniture manufacturer, finally got permission from S C Johnson to have

access to the original prototypes, drawings and stencils and it now offers a desk and chair that is a careful reconstruction of the original design. A classic design of this quality does not come cheap (£3,290) but it is of almost heirloom quality.

There is a very limited choice of colours - a brick red frame topped by cherry wood

(this is the closest colouring to the original) or a black, stained ash top on a black metal frame.

The chair to partner the desk is made from painted steel with timber armrests and the finishes match the desk - black steel with black stained ash arm rests or brick red frame with cherry wood arm rests. The back and seat pad

can be covered in fabric or leather, prices range from £640 for fabric versions, from £693 for leather ones. The chair and the desk can be bought from Atrium, Centrepoin, 22-24 St Giles High Street, London WC2H 8LN.

Anyone wanting to know more about the furniture might like to visit the Frank Lloyd Wright room at the Victoria and Albert Museum in London where the chair and desk and other furniture and drawings can be seen.

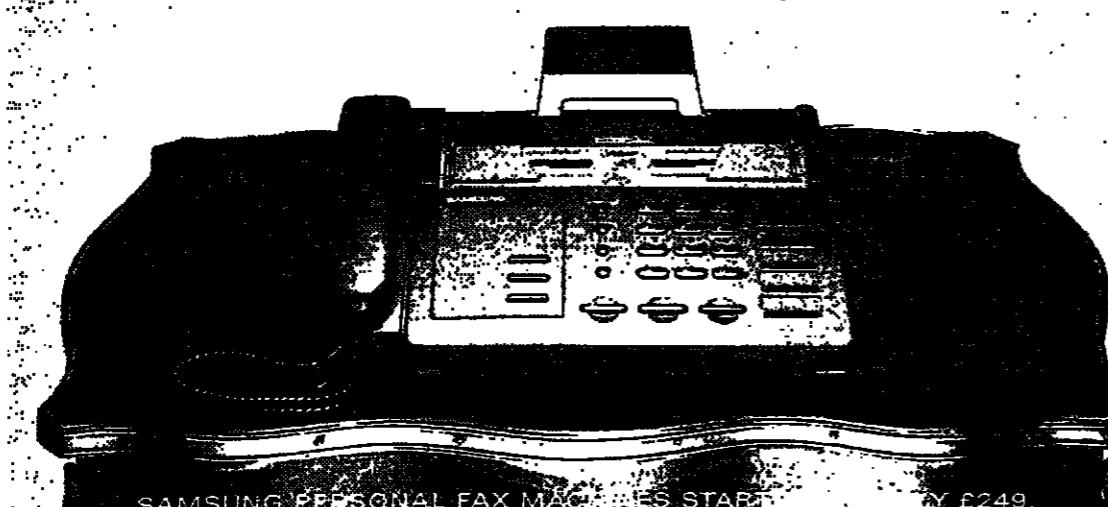
If Frank Lloyd Wright prices are beyond your means, but you are still in need of decent furniture from which to work at home, it is worth looking at Philip St Pier's carefully-made collection. He primarily makes to order or special commission but has a small range of "editions" which could be said to be standard pieces.

Philip St Pier was originally a designer and maker but these days, in order to produce more and bring costs down, he sub-contracts the making to selected workshops. This means that he can sell a hand-made desk such as the Consort (sketched here) for £700. The chair he sells for £275, the coat stand for £425.

He has kept a workshop where he designs, makes up prototypes and mock-ups. Besides the desk and office collection he has some sturdy garden furniture and fine boxes.

For more details, a brochure or orders contact Philip St Pier at W ashbrook Studio, Syde, near Cheltenham, Gloucestershire GL53 9PN. Tel: 0285 821755.

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Such a handy winter warmer

The gloves are off as Lucia van der Post beats the cold snap



Just back from Kenya and Tanzania (yes, thank you, I had a smashing time and I hate to tell you but it was hot, hot, hot) to find England reeling. Why is that they keep the blood flowing into the hands warm. Even in this week's freezing weather they kept my hands warm without gloves.

Tollybands come in a range of colours - the chicest being bottle green which would blend wonderfully with all these ubiquitous waxed cotton jackets. Those addicted to other colours will find something to match.

Primarily designed for those who needed to keep their hands free in cold weather - tennis players, outdoor stallholders, gardeners - those who felt really cold could wear them as well as gloves.

Tollybands are a revival of the old idea and I have to report that they work. The reason why is that they keep the blood flowing into the hands warm. Even in this week's freezing weather they kept my hands warm without gloves.

Tollybands come in a range of colours - the chicest being bottle green which would blend wonderfully with all these ubiquitous waxed cotton jackets. Those addicted to other colours will find something to match.

They cost £14.99 a pair (including p&p) from Tollybands, Old Wool House, PO Box 70, London SW3 5XU.



Nathalie Hambro felt it was time to revive the old-fashioned lunch-box, the western answer, if you like, to the Indian tiffin box. Instead of wasteful cling-film and polystyrene unattractively cluttering up the desk, she thinks it would be more elegant to use a sleek container which could be used time and time again with pleasure. She therefore designed this understated box, made from silver-glow finished steel. It would be perfect for conveying a bruschetta or grilled zucchini to your office-desk. Not that it is only a lunch-box. She, for instance, uses it to convey all her daily needs (you and I might call it a hand-bag but Nathalie is not fond of the term). It is stocked by discerning shops such as David Mellor, No 4 Sloane Square, London SW1, Jerry's Home Store, 163-167 Fulham Road, London SW3 and Liberty of Regent Street, London W1. The price is about £11.50.



Decorative tiles have been somewhat out of favour in the last few years - not grand enough for the Baroque school of decorating and much too racy for the minimalist. They must be due for a revival. Marlborough Tiles is a small company making high-quality ceramic tiles which are widely stocked throughout the UK. Those whose tastes run to the rustic and charming can choose the pretty florals whilst those who prefer a little wit can go for the *trompe l'oeil* (plates, teapots, tureens, jugs). The panels are sold in sets - the *trompe l'oeil* plate, for instance, takes four tiles and would cost £17.63. The hyacinth panel needs nine tiles and costs £52.88. They can be used as panels in work-tops or splashbacks.

Marlborough Tiles is at Elcot Lane, Marlborough, Wiltshire SN8 2AY. Ring 0672 512422 for stockists or to place orders.



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FASHION

But is your uniform correct?

In our series of dress codes around the world, FT writers look at what to wear on the golf course



LONDON

Brenda Polan

Golf is, of course, a Scottish game. Its earliest players trudged the misty greens in serviceable, dun-coloured tweeds, traditional woolies, rugged plus-fours tucked into thick long socks, stolid brogues and a rain-deflecting flat country cap.

Women - for the game was initially neither gender nor class-limited - tended to vary the uniform only in the matter of a long skirt, later a divided one.

Once you remember those practical origins, today's lurid golfing uniforms are easy to understand: their essential foul-weather nature has merely been corrupted by effete southern taste, advances in fabric technology, American vulgarity and Florida's climate.

Arguably, golf is the one sport for which special clothing is unnecessary. Providing footwear is sturdy, gripping and comfortable and the rest is unrestricting, what need for pastel argyll-patterned sweatshirts, londy checked slacks, luridly two-toned zipper-fronted cardigans, green-vested caps and spitefully spiked shoes?

The need, of course, is acceptance. Golf's uniform is about belonging to the class of chap or lady - they certainly still call them ladies in proper golfing circles - who belongs to a

golf club. Britain is well-supplied with municipal golf courses and persons do play there in their shellsuits and plimseys, but that is not at all what golf is about in modern Britain.

For most of the participants golf is a whole, narrowly policed social scene, a bastion of middle-class safety to which outsiders may aspire but which is closely guarded against them. Within its bunkers business deals are done, nephews are fixed up with first jobs, loans are made at advantageous rates of interest. It is all easily done because it all happens between what golfers fondly believe are their own kind.

So the uniform, achingly unstylish, is a signal system denoting a set of values to which its wearers all subscribe. That these values are hardly altruistic or even idealistic was demonstrated by America's Ryder Cup team when its petulant members refused to shake the hand of the president who had just increased the taxes on their enormous incomes.

As Mary Quant once observed, all specialised sports gear eventually catches fashion's eye and becomes sexy. As she did not add, but might have, except golfing gear - too middle class, too complacent, too ugly.

NEW YORK

Patrick Harverson

Being asked to describe what Americans wear on the golf course immediately brought to mind a sketch from the British television show *Not the Nine O'Clock News*, the one which ridiculed golfers as men doing battle in an elaborate ugly-trouser competition. "And it's Weiskopf now, putting for a birdie, wearing an exceedingly silly pair of trousers..."

Yet, it would be unfair to lump New York's golfers in with the silly-trouser brigade, for they are a different breed from their country counterparts in Florida and California. Perhaps in keeping with the north easterner's patrician, tank-trouser sensibilities, in recent years New York golf fashions have tended to be more stylish, the colours subtler, the patterns less stomach-churning. A new look is emerging as a younger generation of golfers seek to avoid... well, looking too much like golfers.

Thus, the starchily, brightly coloured red-white-and-blue shirts and plaid polyester slacks of old are out. In their place are baggier golf shirts in modish browns and olives or sensitive tees and tapers, and looser, more stylishly cut trousers that would not look out of place in a chic restaurant.

The city's golfers, it seems, are sick of wearing clothes that have to be steamed away in embarrassment as soon as the last putt has been holed. In their search for the complete, all-purpose casual wear, men are turning to labels like Ralph Lauren's Polo, Bobby Jones, Cutter & Buck, and Pelican Hill, while women choose new designs from established names like Bogner, Nordstrom and Evan Picone.

Essentially, golfers want to return to the elegant days of the 1930s and 1940s, when people regarded a round of golf as an excellent opportunity to get some exercise and show off the latest duds.

There are, however, a few golfers in New York, as there are everywhere, who think that if they dress like the pros, they will play like the pros. This means there will always be someone on the course wearing a hideously bright shirt with a white-shark logo marketed by Australian star Greg Norman, or a garish shirt and plus-fours like the ensemble that Payne Stewart wears to every tournament. In spite of their reputation for savviness, New Yorkers do not seem to realise that at least the pro golfers get paid to look stupid.



FRANKFURT

Christopher Parkes

The pretty golf course at Kronberg, 20 minutes outside Frankfurt, is a quiet place at the best of times. The sound of club on ball is rarely followed by anything more than appreciative mutterings, and naturally, the occasional clump of ball on an out-of-bound tree.

The players dress in keeping with their decorous behaviour. Long-distance observations by a non-player suggest that in the peak season, summer, women's costumes fall into two categories: pretty and sporty.

The first classification requires a white or pastel frock. Together with matching

ankle socks the ensemble is reminiscent of 1930s tennis rig.

The sporty look requires knee-length shorts with turn-ups, in a choice of pale cottons or light plaids.

A cotton eye-shade and a Ralph Lauren polo shirt - or anything with one of the thousands of "designer" logos which litter German leisure wear - wrap things up.

There is one category for men's outfits: pretty sporty, but uniformly in the Bernhard Langer style. To judge by appearances, it is a breach of club rules to be under-equipped. Even the most casual thrash-about in the undergrowth seems to

require a full set of clubs (with hats), state-of-the-art trolley, gloves, cap, sweater, pocket knife and trenching tools.

But there is rarely a sign of the crunchy waterproofs and the oversized umbrellas so common in Britain. Swinging in the rain is not a favoured occupation among Frankfurt's fair-weather denizens of the fairways.

The Kronberg turf is clearly a place for being seen, not for getting wet. If it is raining, or even cold, it's time to retreat to one of the area's dozens of covered tennis courts.

PARIS

Alice Rawsthorn

There are some areas of life where the French are incorrigibly conservative and golf is one of them. The ritual begins with the choice of club. Any

old golf club simply will not do.

The place where a Parisian plays golf speaks volumes about his or her status. So the

swankier the club, the better. Saint-Cloud, which boasts President Mitterrand and half the cabinet among its members, is the swankiest of all followed by La Boule and Chantilly.

Yet the uniform is the same wherever you play. Parisians, predictably, dress just as smartly for a few hours on the golf course as they do for any other event. A polo shirt and shorts (neatly cropped just above the knee and tapering to the waist) are *de rigueur* for summer as are well-cut trousers and a V-neck jumper over the polo shirt for winter.

Colours are subdued. White is popular for golfing in warm

weather, with occasional glimpses of blue and green for light relief. Shoes are snowy white: the very shade to show off a Côte d'Azur tan to perfection.

Hats are acceptable as long as they leave enough room for Ray-Bans and co-ordinate with the other clothes. French golfers tend to regard clashing colours, jaunty beret caps and two-tone shoes as strictly for the Americans.

Anyone who thinks they might be able to work their way into one of the more sought-after French golf clubs without the requisite kit is doomed to disappointment. Bernard Tapie, the former socialist cabinet's token "medallion man", sauntered into Saint-Cloud last summer to deliver a speech. The doorman told him to leave. Saint-Cloud, he said, was for members only and Tapie was not one.



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TOKYO

Michiyo Nakamoto

For the Japanese men and women who are wealthy enough to frequent the country's golf courses, fashion on the green is a serious matter.

And just as strict conformity to the dress code in the office or on formal occasions is taken for granted, those on the golf course are expected to play by the rule of casual but conservative good taste.

So, men on the course will commonly be seen in trousers, polo shirt and vest while women tend to opt for skirts that come to just above the knee or culottes which are easy to move in. Their distinguishing feature is their conformity to the "golf look."

Even though it is more often than not associated with business in Japan, golf being a social occasion and increasingly popular among well-off housewives, more colour than is seen on Tokyo's streets can be enjoyed in the choice of clothes worn on the green.

Men who are normally restricted to drab grey and navy suits, do not hesitate to appear in bright green, sky blue or lemon when it comes to a day swinging the iron club.

But the real fun of dressing up for golf, the women say, comes after the game is over.

Even in Japan, more people are taking advantage of their leisure time to indulge their taste for sport, both as a physical experience and a chance to mingle with others. That in turn has led to a growing taste for casual chic.

For those who prefer a more casual look, and accessible price, than either Dior or Dunhill affords, there are countless names from the world of golf to adorn the pocket or cap.

Among the more popular are the Jack Nicklaus signature with his polar bear symbol and

Arnold Palmer with an umbrella. Such signatures can be found not only on clothes but on everything else from hand towels to socks and accessories.

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FOOD AND DRINK

Grounds for turning over a new leaf

Giles MacDonogh says it is time to start reading the tea leaves a lot more carefully

It seems that Britons need a refresher course. It is not quite 45 years since the British left India and they have already forgotten the difference between good tea and bad.

Between 80 and 85 per cent of what Britons drink today is CTC (crush, tear and curl) tea from Africa and Latin America. This tea is harvested mechanically and made by a special process which is designed to coat the leaves with the darkest juices in order to provide a tea which will colour up in the shortest period of time. In short, it is perfect for tea bags.

Now has Britain reached the bottom of the spiral of decline. The better brands, such as Lyons and PG Tips, which still use a small percentage of "orthodox" teas, are being squeezed out of the market by cut-price own-label teas available from supermarkets. The tea inside the sachets is of the poorest quality imaginable. But even those wretched brews may be superseded by tea granules, which make tea by a process identical to instant coffee.

The Indians are partly to blame. In the post-colonial years they played a game of cat and mouse with the British brokers, imposing restrictions and pushing up prices. The result was that the British simply looked elsewhere.

One source told me that at the beginning of 1976 the Indians were still supplying Britain with 70 per cent of its needs. By the end of the year the figure had dropped to 30 per cent. Leaving aside the Chinese and the Sri Lankans - whose tea are still referred to as "Ceylon" in the trade - the world's most prestigious tea gardens are to be found in north-eastern India; in Darjeeling and Assam, in the foothills of the Himalayas.

The tea bushes find the right combination of altitude, heat and damp to ripen the leaves to perfection. Only the downy bud (or peacock) and the first two leaves are picked. The first two crops or flushes are deemed the best. The Germans and

the Japanese fight over the first, the British content themselves with the second.

In Darjeeling and Assam there is a hierarchy among the tea gardens reminiscent of the *cru* system in force in the better French vineyards. In Darjeeling, for example, gardens such as Castleton, Margaret's Hope, Jungpana, Seeyok, Selimbong and Goomti are considered to be consistently excellent. Others occupy the second rank; sometimes, but not always, good. Not all the gardens are Indian owned. Even Brooke Bond, I am told, has a bit of land in India.

Until recently I should have been at a loss to tell you where - apart from Harrods and Fortnum's - these famous teas might be obtained. Now, however, I can disclose some, if not all, of the story. Operating from an office in central London are the Sethia brothers of Newby Enterprises. The Sethias have hit on the brave idea of bringing single-estate Darjeeling and Assam teas to a wider British market. The Sethias buy their tea at auction in India and have it packaged there for shipment to Britain and to the US. The cost of tea from the most expensive tea gardens limits their choice to some degree: they cannot afford Castleton or Margaret's Hope; but they can and do buy teas from Jungpana, Seeyok, Selimbong and Goomti, among the best Darjeelings.

The teas are unblended, but the names of the estates are not written on the caddies. There is just a number code. I think this is a mistake: it would be nicer to know precisely where the tea came from.

The Sethias made me a pot of Darjeeling, Goomti, as it turned out. I was interested to hear them say that for a tea purist it was far worse to see someone put lemon in their tea than milk. Most British brokers choose darker teas precisely because they "milk up" better than the paler ones. I could not find the elusive "Muscatel" character which is meant to typify Darjeeling, but recognised a certain peachiness which they said was a



The National Portrait Gallery

You should just catch two silly February deals from two of the UK's most traditional merchants. Peatings, of East Anglia (024-755948), is offering 20 per cent off all table wines costing more than £10 a bottle. Its claret and burgundy selections alone make this an offer worth investigating.

Laytons, of London NW1, (071-388-5081) has 20 *trousailles* from classic French regions of which the surprise is the red bordeaux Ch des Gondais 1984 at £4.70. No wine enthusiast worth his salt would even consider buying a wine so suspiciously cheap from the 1984 vintage but this, effectively the second wine of third-growth Margaux Ch Marquis de Terme, has none of the skeletal nature of most 1984s and is even charming.

Jencis Robinson

□ □ □

Appetisers A red hot deal

Good Sauvignon has long been easier to find in South Africa than exciting Chardonnay but Les Enfants Sauvignons 1983 (from Vergelegen) is well worth £3.95 at 100 Sainsbury stores.

JR

houses not only a restaurant, bar, café and food hall, but also an exceptionally catholic wine shop where 750 different lines are on sale - at Knightsbridge (but not Silly Knightsbridge) prices. On Mondays in March, diners in the restaurant can drink at wine shop prices, uninfated by the usual restaurant mark-up.

JR

One of the best meals during my last trip to Manhattan was at JoJo's, home to Alsace-born chef Jean-Georges Vongerichten. He has since opened a second restaurant, Wong, where French techniques meet Thai influences such as lemon grass and coconut milk.

From Monday, March 7, Vongerichten will be in London for a week cooking alongside Jean-Christophe Novelli, chef at the Four Seasons restaurant in west London (071-499-0880). Menus from £25. Nicholas Lander

NL

The fifth floor at Harvey Nichols' store in west London

Another publishing success has been the *Logis of Great Britain* hotel guide (£6.50, 250pp), launched by Jenny and David Horsley in 1991 from their home in Putney, south-west London. It adapts the successful formula and strict conditions of entry from *Logis de France*. The 1994 guide has information on 515 independently-owned hotels in the UK and Ireland, ranging from traditional coaching inns to small country house hotels. The new, user-friendly, central reservations system is on 0865-875888.

NL

Both Sainsbury's and O'Bodibins are interested increasingly in buying small parcels of wine and selling them through a limited number of stores - good news for the consumer, although it makes life difficult for the wine writer trying to give stockist details. Some 95 (of 350) branches of Sainsbury's stock Hamilton Russell 1992 Chardonnay, which is worth seeking out. It is made from some of South Africa's most southerly fruit and, at £6.95, can offer a surprising amount of subtlety and a suitably savoury burgundian character.

□ □ □

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Gradually, draw the flour into the egg and work in the tepid milky water by slow degrees. (Depending on the quality of the flours and on humidity, you might not need all the liquid or you could need

Cover the dish with a dome of foil and slip it into a moderate oven for, say, five minutes until the cheeses soften and melt. Serve quickly on hot plates.

Philippa Davenport

Cookery The Italian way with noodles

Watching flakes swirl past the kitchen window the other day, I remembered my last real encounter with snow - in alpine Italy one June. Yes, June.

The silent, white slopes of Lo Stelvio in Alta Valtellina are packed so deep with snow that skiers go there when the season in other resorts has ended. Not being much of a skier myself I toured the pistes on the back of a snow plough.

Next day, I visited the farm of a couple whose riding stables provide ideal transport for touring the lower slopes of the region. There, Laura Bonati gave me my first lesson in pasta-making.

Last week, I tried my hand at making pizzoccheri again, with Anna Del Conte as my mentor, and this week I embarked on solo efforts.

Pizzoccheri is a specialty of Valtellina: broad-ribbed noodles with a distinctive character provided by buckwheat flour. This is the speckled, toasty, nutty-tasting ingredient we associate more readily with blinis and galettes. Some health food stores sell it, as do Italian specialist shops.

Pizzoccheri can be dressed simply with sizzling garlic and sage-scented butter and sprinkled with cheese. Strictly speaking, the cheese should be a mixture of Parmigiano-Reggiano and bitto, which is a Valtellinese cheese that melts well and is marvellously rich and complex in flavour when made properly.

Fontina is the best substitute in Britain although, at a pinch, you can use St Paulin or Port Salut if you are prepared to accept a lack of north Italian authenticity.

Traditionally, pizzoccheri is dressed not only with flavoured butter and cheese but also with cabbage and potatoes. In fact, so popular is this combination in its homeland that the word pizzoccheri is used not just for the pasta itself but also for the dish that includes the buckwheat noodles, potatoes and cabbage.

PIZZOCCHERI
(serves 6)

While pasta is high-profile food in Britain and a fashionable choice for informal entertain-

a drop more).

Mix with a fork at first, then with your fingers, and knead gently for about five minutes to make an elastic dough.

Wrap the dough and let it rest at room temperature for at least an hour (or refrigerate it if preparing a day ahead).

Slice the dough like a loaf and flour each slice lightly. Either roll out each one by hand until about 1/8in thick, or pass them through the rollers of a hand-cranked machine, tightening the rollers gradually up to the last but two notches.

Cut the pasta into ribbons about 4in long by nearly 1in wide. Lay them close but not touching, on clean cloths and leave to dry slightly before cooking.

The knack of cooking pizzoccheri lies in using a really large pan (to prevent overcrowding and sticking) and in getting the ingredients to cook simultaneously. The following are guidelines rather than gospel: exact timing will depend, of course, on the thickness and elasticity of the pasta, on the variety of potato, the size of the chunks, and so on.

Drop the potatoes into plenty of well-salted boiling water and cook for 10 minutes. Throw in the cabbage. As soon as the water comes back to the boil, start adding the noodles, bit by bit and mixing them in well.

Within five minutes of the liquid returning to the boil, all three ingredients probably will be ready.

While all this is happening, soften the onion thoroughly in the butter in a separate small pan, together with the garlic and sage.

Drain the cooked pasta, potatoes and cabbage and return them to the pan. Pour on the flavoured butter and toss to mix. Pile the mixture into a well-heated, shallow dish, scattering the grated Parmesan and flakes of cheese between layers.

Cover the dish with a dome of foil and slip it into a moderate oven for, say, five minutes until the cheeses soften and melt. Serve quickly on hot plates.

Wine/Edmund Penning-Rowell Vintages to savour

Officially, Château Cheval-Blanc has

only been a first-growth claret since

1955, but its international repu-

tation was made by the remarkable, exceptionally rich

1921, the 1934 (probably the finest claret of the 1930s) and the 1947 which established its British réclame.

Yet its renown went back a good deal further, the bronze medal won at the International Exhibition in London in 1867 is still reproduced on the label.

For nearly 150 years it has

been owned by the Fourcaud-

Lansac family, today repre-

sented by the charming

Madame de la Barre and her

two sisters, while the wine is

made by Jean Lurton, of the

Bordeaux wine family.

1988. More colour than 1983.

showed more nose at Biben-

dum, plenty of depth of fla-

vour, but markedly tannic. A

wine to keep which should

turn out a classic.

1987. Brownish colour, old

claret nose and sweet flavour,

very attractive for current

drinking.

1986. Good, but not yet

remarkably deep in colour;

very rich, concentrated nose,

which developed in glass. Deep

flavours, some tannin. One of

the best of the decade.

1985. More colour now than

the 1986, but less aroma;

charming, fairly light wine

that may well last longer than

expected (£495 in bond).

1984. Very brown nose,

rather like 1987 but less fruit;

typical of the worst year of the

decade.

1983. Brown tint, elegant

develop well (£335 in bond).

1982. More colour than 1983.

showed more nose at Biben-

dum, plenty of depth of fla-

vour, but very tannic. A

wine to keep which should

turn out a classic.

1981. Brownish colour, old

claret nose and sweet flavour,

very attractive for current

drinking.

1980. More colour now than

the 1981, but less aroma;

charming, fairly light wine

that may well last longer than

expected (£

MINDING YOUR OWN BUSINESS

The man with 4,000 tricks up his sleeve

This weekend a few tricks will be pulled in Blackpool. Four thousand magicians from around the world are gathered in the northern seaside resort.

Do not try to attend. The conjurers and prestidigitators are there for a trade fair, not to tell the public how the rabbit appears from the hat.

Ian Adair expects to be the biggest-earning exhibitor. His company, Supreme Magic, operates with discretion from the Devon port of Bideford, selling tricks to the trade. The client list consists of 20,000 customers in more than 80 countries. Each must sign a confidentiality clause, promising never to reveal secrets of the craft before he is allowed to purchase so much as three egg cups and a dice.

Reticence is endemic in this business but Adair agrees that turnover is more than film and growing. There are more than 4,000 products in the Supreme Magic catalogue. "I suppose the dearest stock item is the Triple Levitating Chair at just over £4,000," said Adair.

After 35 years in Devon, he retains the accents of his

native Kilmarnock. "Our cheapest and small hand-tricks, as we call them, for just £10 or so. We aim to be the Woolworths of magic, not some exclusive little boutique." Nevertheless, famous magicians such as Paul Daniels buy equipment for tricks from Supreme Magic.

The US is the company's biggest market, but the former

but devised them and then found first-rate craftsmen to make them," said Adair, who became the company's first employee in 1958.

There are now 13 dispatch and administrative staff but the manufacture is still contracted out, much of it locally. The large warehouses behind the modest offices contain a bewildering variety of stock.

Keith Wheatley on a magician whose customers sign a pledge of secrecy

Iron Curtain countries have always been a strong source of business. Even in the Cold War these customers could conjure high currency from some-where.

Supreme Magic was founded 41 years ago by Edwin Hooper, a part-time Punch-and-Judy man on nearby Woolacombe Sands. With a £100 loan from his plumber-father he rented a single room and began to manufacture and sell tricks, but always to professionals, never through high street joke shops.

"He was fantastically inventive. He didn't make the tricks

tricks." One of the most successful innovations has been two-part instructional videos. Stars such as Daniels perform part of their act in front of audiences of children at a television studio. That is part one. In part two, the magicians reconstruct their tricks in minute detail. Production costs for a one-hour tape are about £5,000 including a flat fee rather than a royalty for the artiste. They retail for £20. The more successful have sold more than 1,000 units.

Hooper died two years ago. His executors sold the business to outside investors. Adair and his small team of inventors remain the core of the company, but not the owners.

"It was a bit of a shock after so many years building up a big business to find you didn't own or control any of it," said Adair, a shy man when caught without a wand or a dove in his hands. "But I was finding the administration and paperwork of running the business an increasing worry and now I'm still doing what I love."

■ **Supreme Magic, Bideford, Devon EX9 3YA, 0237-472666.**



A little bit of magic: Ian Adair of Supreme Magic, a mail order magic supplier, and rabbit

Sam Morgan Moore

As They Say In Europe/James Morgan

Life is exotic in the modern Sparta

"Why are public services in Britain so bad compared with France?" asked Monique Villa, who runs the London bureau of Agence France Presse. "Is the difference in taxation so great?" Such is the stuff of debate *chez Morgan*. (On the agenda was not only a comparative study of systems of public administration, there was also consideration of the development of the Florentine aesthetic and whether British MPs are worse than others at keeping their trousers on.)

As a share of gross domestic product, the French government takes 25 per cent more in tax than does the British. Maybe things will change when the British are hit by April's rises. But will Britain's public services be as efficient as France's? Clearly not. That made me think. The efficiency of a public service is

judged by the standard of service to the consumer. So British Rail may seem user-unfriendly but, in terms of exploiting its resources, it is a world leader. Track and rolling-stock use is something foreigners come to marvel at. If it has not produced a catastrophe to compare with the computerised booking system for the French high-speed train.

What exists in Britain is a *de facto* utilitarianism. A basic service is provided at a marvelously low price in tax terms. This is reflected in comparative UN criteria on the quality of life: Britain ranks only just below France and the Netherlands.

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What is missing is what

Monique saw as those little touches that make people feel better. They do not appear in the utilitarian calculus but they are highly valued by ordinary people. The economic cost of late-running public transport systems, or a six-month wait for a hip replacement, of a shortage of nursery school places, may not be all that great. But full provision in such areas adds to national well-being.

Britain is a sort of latter-day Sparta. The government does nothing to make people feel better. British public services

are a form of hardship. But in economic terms they are amazingly cost-effective.

As I pondered these conclusions, I saw the fifth in a series of articles in *Le Monde* on Europe's great cities. Last weekend the paper had a great London. The concern was architecture (I can already feel English readers cringing in anticipation of the steady raining of superior Gallic blows on vulnerable Anglo-Saxon heads).

"English architecture of the post-war years and up to the 1960s was of a singular quality compared with continental out-

put," began one paragraph menacingly. Surprisingly, what followed was not a stream of abuse, but an account of how things had improved in recent years. The writers liked Cheltenham hospital and the new international terminal at Waterloo station.

One observation ran: "The Thatcher years, having opened the doors to the angels and demons of savage liberalism, everything which smacked of state intervention or of a strong local collectivity was banned." But British experts stressed that this was always so. London always grew by pri-

vate initiative. (By comparison Paris was destroyed by Haussmann more than 100 years ago in a grand project which uprooted and destroyed whole communities.)

The writers were intrigued at the way the government had eventually been forced to intervene in the case of bankrupt Canary Wharf and build a metro link to the beleaguered development to the east of the city. So it is that London offers "no simple logic but rather an ensemble of minimalist characteristics." There are no safeguards for zones of architectural interest, only for

individual buildings. But on the other hand consultations with the people are "far more extensive and demanding than on this side of the Channel," said *Le Monde*'s experts.

The title of the piece was "die-hard eclecticism" which really sums up Britain. Not only London, but the social and physical infrastructure of Britain grows incrementally. No grand projects, just tinkering with the system. France is created from the ground up. It works better, costs more but does it represent a better use of resources?

As Monique tells young recruits for all the above, and other, reasons: "If you want to see a country that is very near and really exotic, go to England."

■ **James Morgan** is economics correspondent of the BBC world service.

Venice waits

Continued from Page 1

causes eutrophication – unnatural growth of algae – and threatens fish life. Would it not be better if the right standards were applied across the watershed?

Much of the clean-up campaign has also targeted Mestre's petrochemical and oil refining industries, and the large tankers which have to enter the lagoon to serve them. Last year, Carlo Ripa di Meana, then the environment minister, visited the site and suggested that it would be good if industry moved out. His remarks caused a furore and led to a demonstration by industrial workers in the Grand Canal.

His words reinforced a body of opinion which argues that Mestre's industry is inappropriate to the locality, and should be replaced with commerce and light industry. Rino Bruttomoso at Città d'Acqua, for example, says Venice would be better off if these "dying industries" were replaced by a commercial shipping terminal and a science and technology park. There is also support for educational establishments to complement the two universities in Venice itself.

But the management and workers at the state-owned Enichem plant are fighting back. Lucio Pianin, the director, says the company has spent £125m (£35m) on environmental improvements over the last three years, and now returns water to the lagoon that is cleaner than that it took out. It is only because Enichem is so big, he says, that it can afford such hefty environmental investments. "The problem of the lagoon is not petrochemical," he says. "We are a living demonstration that a petrochemical plant can live alongside a historic city."

Environmentalists would go a stage further and have the whole Venice lagoon declared a national park. "The lagoon is a very complex ecosystem," says Alberto Bargossi of Legambiente Veneto, a local environmental pressure group. "Each part can't be separated from the whole system and the problems can't be solved separately. We have to face all the problems at the same time." So he adds: "First of all we must stop polluting the water." Venice's fate is caught up in Italy's fast-changing political scene. Much will depend on the outcome of the March 27 general elections, but already the campaign against corruption,

and public pressure for sound government are having an effect, as the drumming of De Michelis showed. In this climate, Venice's future stands a better chance of being weighed on its merits than of being bait to political ends.

The outgoing Ciampi government has taken an important step which should begin to rationalise the bodies with a hand in Venice's future. In January, a decree was approved to create a company with a £160m capital which will be majority-owned by the state, the rest split between the Veneto region, Venice itself (which includes Mestre) and the coastal town of Chioggia.

The company will have responsibility for all conservation and environmental activity related to the lagoon. This means that the Consorzio will be downgraded and limited to studies and construction work relating to the tides.

Italian local administration has also been opened up with new municipal laws which enable mayors to be elected directly rather than chosen in smoke-filled rooms. Last December, Massimo Cacciari, a philosophy professor from Venice's Architecture University, was elected mayor under these rules, heading a broad "progressive" alliance backed by the Party of the Democratic Left, formerly the communist party, and the green vote.

The city is waiting to see how he balances the pressures of the environment with the region's social and economic demands. Marino Polin, rector of the Architecture University, who knew Cacciari well, says he expects him to put the development of Mestre and housing at the top of the list.

Cacciari has welcomed the new company because he wants to ensure that environmental protection is better coordinated. He says: "With this single bridge from which to command, things can be pushed forward much faster and more efficiently."

Where this leaves the barrage is hard to say. Dr Luigi Zanda, the president of the Consorzio, says the elections will have very positive repercussions" by bringing much-needed stability to the political scene. "We think 1994 will be a very important year for Venice because of the new mayor," he says, "and the fact that the government is creating the new agency to safeguard Venice." He still thinks the barrage can be built by the end of the century.

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OUTDOORS

Gardening

Nice – but not quite what I asked for

Roy Barnes on the trials and tribulations of mail ordering

Last year I decided I would like to create a reasonably colourful autumn bed in a rather neglected shady strip at the edge of the lawn.

The previous year I had planted some Aster ericoides, Aster x frikartii Münch, Dendranthema Clara Curtis and Lysimachia clethroides which had become reasonably established. But the area was a tangle of old bushy peacockeys, giant scabious, Acanthus spinosus and ground elder. All of which would need pruning or clearing. I decided to replace them with white flowering plants. The question was where to buy them.

I decided to try to obtain the new plants by mail order, as buying locally was both time-consuming and not always successful. Being a novice, I had no idea of the jungle I was about to enter.

If I were asked to offer advice to people like myself, about to embark on a journey through the catalogues, one word would spring to mind: beware! The differences in pricing, the quality of the goods, the standard of packing and promptness of despatch (to say nothing of willingness or even ability to answer inquiries) is astonishing. The route to happiness lies in not expecting too much, preferably not expecting anything at all.

After extensive reading, I decided to restrict my purchases to four species: Japanese anemones, Kniphofia and digitalis. Having chosen my varieties, I examined the price-lists of five suppliers – all reputable well-known names, but varying from the small to medium-sized plant "specialists" to the large national suppliers. I was immediately struck by the range of prices asked for the same plant. The price of one variety of Japanese anemone



These hybrid Japanese anemones are among the 200 most rewarding plants for every garden chosen by Ann Scott-Jones in her book "Perfect Plant, Perfect Garden" (Conran Octopus, £3.99, 157 pages) now in paperback

varied from £2.10 to £3.25 per plant. The prices in the catalogues of the company asking £3.25 were from 75p to £1.50 above all their competitors. I struck it off my list.

I put a selection of plant orders together and prepared to fill in the forms. I now had to work out how much they wanted for postage, packing

and insurance. One company wanted £1 p&p for each plant with no discount for quantity. I removed it from my list. Some suppliers charge p&p according to number of plants bought, others by the value of the order.

Sometimes the system work against the supplier's interest. What do you do if 26 is charged per £75 worth of goods and you want 280 worth? Buy an extra £8 p&p? No, you reduce your order.

Then there is VAT. Some sellers do not include VAT in their prices and some do. The exercise became for me an intellectual puzzle: how to establish value for money, and obtain the best buy for the minimum outlay.

To some extent, and to some people, particularly the

experts, price is secondary. One gardener told me that he had paid £5 for one seed of a variety of a tree that he particularly wanted.

If you want a plant, you will pay the price. So it was with me for a giant red Kniphofia, the order for which went off with the others to the supplier at the start of February last year with a request for some enticing-sounding *Anemone* *tomentosa*.

I heard nothing until the middle of March when my three Kniphofia were safely delivered (beautifully packed), but instead of the *Anemone* *tomentosa*, came an appealing shot; the "Honoria" anemones looked lovely, but out to be much darker pink than I expected and there is no sign of a flower from the Whirlwind semi-double *Whirlwind*.

The 10 Eelvine dahlias

(which, according to the catalogue, should have been creamy white with lilac-tipped petals) turned out to be scarlet streaks with a white base and the Hayley Jane looks yellow to me. The shot got Kerner merlot.

I am pleased with the colour effect, even though it is not what I planned. It is not all the growers' fault; I was also pretty stupid, such as planting a *Eupatorium* *purpureum* believing it to be a *Eupatorium* *rugosum* and sticking three *Dianthus* *alba* too close to giant dahlias, where they sulked and refused to grow.

The catalogues, however, could be more helpful. You see a beautiful illustration of a flowering shrub and know how lovely it would look in a spot you have available for it – but the book does not tell you that it will not flower for at least three years, during which time it will be making its roots. Nor does the catalogue (or the nurseryman, for that matter) tell you that those lovely geraniums will pine away in your alkaline soil.

Some simple, truthful statements ought, it seems to me, to be an obligatory part of the catalogue description.

I was grateful to the supplier who, when I wrote to explain that none of the rather puny plants he had sent me had wanted to grow, wrote back and apologised, saying it had been a bad year for propagating and refunded all my money. I now trust him and will buy from him again.

■ The Plant Finder, published by Headman in association with the Hardy Plant Society (£10.99, 734 pages) contains more than 55,000 plant listings, tells where they can be obtained and whether nurseries or plantmen offer a mail order service.



A popular choice among Michaelmas Daisies, Aster x frikartii, which grows to about 30 inches

Fishing/Tom Fort

Unsung lady of the stream

It was a peach of a day, all the more glorious for confounding expectation.

The man on the radio had forecast November darkness and chill. But as I bowed along the Roman road that points at Salisbury, the flannel above peeled away to reveal a soft, blue sky and a soft autumn sun. The wide, bare spaces of the down glowed, and the foliage of the oak and beech copes was suffused with creamy life.

In short, it was grand to be out and about, with a fishing rod in the back of the car and a long-held ambition to fulfil.

As I rolled down in to the Test valley, I spared a thought – being a compassionate man – for the millions chained to their decks, eyes trained on screens, ears jammed to telephones.

I reflected that the sweetness of the song of the birds, and the healing quality of sun, shine, were distinctly enhanced if you were the only one around to enjoy them.

My ambition was to fish for grayling with a fly rod, in the grayling's true season, which is autumn. I had caught them before in the UK, but always by accident, when fishing for trout in summer. In such circumstances they are something of an annoyance.

The grayling's reputation has never stood as high in England as in continental Europe. The species is widely distributed, but it does best in the southern chalk streams. And there – on the Test, Avon, Kennet etc – it must compete with the trout for the angler's attention.

At best, the grayling has tended to be regarded with condescension, occupying a position in the fishy world roughly equivalent to that of the gentleman's companion in the human world. At worst, it has been the victim of persecution by intolerant ideologues and ignorant snobs who think it unworthy to share hallowed water with the noble trout.

The continentals are free from this absurd prejudice. On travels a few years ago in eastern Europe, I found the grayling as highly esteemed as the trout, or more so. The Poles and the Slovaks have developed specialised tactics for catching them in the rivers of the Carpathians. Having watched a Polish wizard whiz out a score of good fish in an hour and a half, I tried to emulate him. But the control of

two heavy nymphs while wading a foaming mountain torrent was completely beyond me; and I retreated to the quiet corners where I managed a grayling or two on a dry fly.

Now, on this November day, I was to try – courtesy of a kind friend and his father – for English grayling on the Test at Timsbury. Fishing there in high summer for trout, I had caught a couple of big grayling during a hectic hatch of sedges. But in autumn the nymph was the thing – or so I had read.

There are nymph fishers and non-nymph fishers, and by inclination I am of the second category. I like to see my fly on the surface. But the nymph sticks, and for me the perennial problem with it is to tell when, and if, a fish has taken it. As a rule it has not, but this is not a great deal of use.

The experts tell you that you must watch the fish under water, and strike when it opens its mouth to absorb the nymph. Now, there are doubtless men keen-sighted enough to spot a pair of small, white lips opening and closing through several feet of water. But I am not one of them.

The alternative is to watch your leader, and strike when it behaves unnaturally. But I cannot see the leader either. So, employing a tip from a pleasant young man in the tackle shop in Stockbridge, I tied on a piece of orange wool treated with floatant. This was splendidly visible, and I spent a considerable amount of time watching it bob down the current. It went under but once. I struck, and nothing happened.

I began to have doubts about the nymph. Luckily for me, the mellowess of the weather encouraged an excellent hatch of olives, and I came across a little shoal of grayling feeding keenly at the surface. I caught one immediately on a dry fly, and a gorgeous sight it was, with its silver, black-spotted flanks and bristling red-menaced dorsal fin. Aha, I thought, I am going to make a killing. A series of clumsy casts then permeated the rest of the shoal to stop rising.

With the sun sinking fast, I went back to the nymph. And I had a fish at once, even lovelier than the first – for it was bigger, a good 1½lb. I could not bear to kill it, so I let it go. The lady of the stream is how some felicitous writer dubbed the grayling; and I felt that, as a gentleman, I had paid my respects.

said farmer John Carter, the parish council chairman.

The villagers at Manaton, an isolated village on the edge of Dartmoor, hope to follow suit. Their shop closed last September. They plan to lease the shop premises from the widowed owner and former shopkeeper and initially to run the business using volunteers.

Smith is sceptical about community shops, or enterprises run permanently by volunteer labour, of which he estimates there are some 30 in the country.

"A lot have failed or are failing because they are understocked and out-of-date in their methods," he said.

VIRSA's next task is to create a database of essential details of all the 6,000 or so village shops in the country that serve populations of under 1,000.

"We want to try and find out as much as possible about the health of these businesses and to let them know we are here to help if there is a crisis," Smith said.

■ VIRSA is a non-profit-making association and relies on the generosity of individuals and organisations wishing to support the cause of village shops. Information and details of subscription rates can be obtained from: VIRSA, Sydney Farm, Halstock, Yeovil BA2 9QY. Tel: 0351-831614.

GARDENING

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Village Shops

Business sense that keeps communities together

Derek Smith tells Clive Fewins how villages can keep their stores



when addressing meetings of villagers, usually called when their village shop is about to close.

"The long-term problem I come up against, time and time again, is that of the deeply indebted shopkeeper. My advice to these people is: don't be brave; cut and run. Be frank with your parish council, for they are your best hope of rescue.

The council might be prepared to give a stake in the freehold, or enter into a shared ownership agreement, thus providing a form of subsidy."

The problem all too often, according to Smith, is that village shopkeepers have paid too much for the freehold of their premises and have mortgages they cannot sustain.

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"The view from the outset was that people should

BOOKS

I first met Paddy Ashdown when he appeared as a spokesman for the British Foreign Office at the Geneva talks following the Turkish invasion of Cyprus in 1974. There was no compelling reason why he should be there. James Callaghan, the foreign secretary, had brought along his own very able spokesman, Tom McCafferty, from London.

Lord Callaghan said long afterwards that he had no recollection of meeting Ashdown at the time but, in the light of subsequent events, in British politics, wished it had been possible for the future leader of the Labour Party and the future leader of the Liberals to have had at least an exchange of views.

Even then Ashdown was a restless figure, looking for something exciting to do. He had left the Special Boat Section, the Royal Marines' equivalent of the SAS, having learned Mandarin Chinese along the way, for the relative calm

of the diplomatic service. The Foreign Office appointed him first secretary at the British mission to the UN in Geneva. Torn between a respect for discipline and a desire for individualism, he remained a diplomat for only five years.

It was not entirely surprising that he resurfaced as the Liberal MP for Yeovil in 1983. He had checked the ground carefully and the old Tory seat was plainly vulnerable. Besides, the Liberal party (now the Liberal Democrats) was the only party that he could conceivably represent. Sometimes dynamic, always romantic, always on the fringe, Ashdown is firmly in the postwar Liberal tradition. The restlessness continued. Bored

with Westminster politics after the 1983 general election, Ashdown decided to leave the House of Commons for two and a half days a week "in order to live and work with some of the different communities in our country". The result is this book.

Some of *Beyond Westminster* is very good. Ashdown writes well about local communities; the more remote they are, the better the writing becomes. He is at his best working on a Cornish fishing trawler in the Irish Sea, visiting the Orkney and Shetland Islands or staying on a farm in the Wye valley. These are, incidentally, the areas from which Liberal votes have tended to come.

BEYOND WESTMINSTER:
FINDING HOPE IN
BRITAIN
by Paddy Ashdown
Simon & Schuster £19.99, 306 pages

Yet not all is Celtic fringe. Ashdown also went to the most depressed areas of inner London, Liverpool and Manchester. The most heart-felt sentence in his book is simply this: "I had no idea what things are really like in Peckham; and an old textile firm that had gone successfully upmarket in Suffolk. There are tales, too, of housing cooperatives that work and local communities taking the initiative on recycling waste. For the

rise and rise of criminality and the breakdown of law and order". He is particularly strong on the relentless spread of drugs.

The book is subtitled *Finding Hope in Britain*, but for all his professed optimism, the evidence is that Ashdown found very little of it. He came across an effective crime reduction programme in Solihull in the West Midlands; a viaduct - "Britain's deepest pit and only operating mining co-operative". The north east of England was avoided altogether; so were some of the more prosperous parts of the country. And a visit to Oxford is surely worth more than the hope that people will work together; the old Liberal stalwart of proportional representation is not even mentioned, let alone a Lib-Lab pact. A breakthrough still looks distant.

set out deliberately to look for minorities. He is also full of nostalgia. "Tinteth," he writes, "contains the oldest black immigrant community in Europe." A farmhouse in the Wye valley gives a "powerful sense of being lived in century after century by people who drew their strength from the ground". Where he wants to innovate - through the use of telecommunications - it is to help communities in remote areas.

All of which is admirable. Those from other political parties will note, however, that Ashdown is sticking to community politics where the pressure comes from the grass roots up. For the Liberals this has worked well locally, but not yet nationally. In a few concluding pages, Ashdown offers little more than the hope that people will work together; the old Liberal stalwart of proportional representation is not even mentioned, let alone a Lib-Lab pact. A breakthrough still looks distant.

Analysts in need of a couch

A.C. Grayling on the feud between Freud and Jung and its implications for psychoanalysis

In the late summer of 1904 an 18-year-old Russian girl called Sabina Spielrein was admitted to the famous Burghölzli psychiatric hospital in Zurich. She was alternately depressed and hysterical, obsessed with her digestive processes and sexually fixated upon her father's hands. To all efforts at help she responded with wild cries of loathing and disgust.

Within a few years Spielrein was having an affair with the physician appointed to her care. She studied medicine and later practised as a psychoanalyst, thereafter lecturing in the subject at Geneva's Rousseau Institute.

In the psychotherapeutic world it is not unusual for patients to turn healers. But this case was, says John Kerr, special: Spielrein's physician was Carl Jung, and later she was a colleague and confidante of Sigmund Freud. According to Kerr, her association with these two men played a significant part in their relationship. It is this relationship and its spectacular denouement that is the subject of Kerr's book.

When they first met, Freud excitedly proclaimed Jung his heir. Six years later he was apostrophising him as brutal, anti-Semitic, paranoid, "emotionally stupid" and a sufferer from "repressed anal eroticism". Freud was always incontinent in his hostility to those he perceived as apostates - Alfred Adler furnishes another celebrated example - but with Jung his vehemence barely knew bounds.

The Freud-Jung story is absorbingly told by Kerr, who in the process introduces us - equally absorbingly - to both the substance and the implau-



Sabina Spielrein: said to be the pivot of mutual blackmail

A MOST DANGEROUS METHOD
by John Kerr

Sinclair Stevenson £15, 607 pages

sibilities of psychoanalytic theory. Of the two principals in the drama, Freud emerges smelling least of roses; on Kerr's account he appears mean-minded, jealous, self-serving, unscientific and prejudiced. On the evidence marshalled by Kerr it seems hard to disagree. But Freud at least was sane, which - on the same evidence - cannot be said so unequivocally of Jung, whose bizarre visions and religious torments constituted the main source of his theories. As a result, Kerr's account goes a long way to weakening the claims on our intellectual respect of both Freudian and Jungian psychology.

Freud and Jung met in Vienna in 1907. On their first encounter they talked enthusiastically into the early hours. Freud was anxious to associate with Jung, who already had a reputation in medical psychology, and was not a Jew; these were both important attractions for Freud, who wished to make psychoanalysis respectable by having it accepted in institutions outside "sensual" Vienna where its leading exponents were all Jewish. A non-Jew from prim Switzerland's best-known mental hospital was the pivot of their relationship.

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How to become a Proofreader

My name is Marian Thorlsey. I have been a freelance proofreader and copy-editor for 12 years working for a number of major publishing houses. Two of my clients recently told me of the difficulty they experience in finding proofreaders. From my own experience and that of others in the business, I know that the use of freelances is increasing as publishers realise that for their this is cost-effective and efficient. As a result of that conversation, I decided to draw on my experience to produce a guide for people interested in this line of work. The benefits of freelancing include being able to work from home with few overheads, earning between £12 and £20 per hour. This guide includes the following:

- Preparation of manuscripts
- What is expected of the proofreader
- How to proofread using the BSI system
- Typographic conventions
- Accounting and administration of your business
- Lists of books, societies and publishers
- How to obtain work
- A series of self-assessment exercises, carefully graded in difficulty and giving practice in a wide range of printed material from straightforward text to complex tables and mathematical subject matter.

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If Jean-Paul Sartre had been asked "What did you do during the second world war, Daddy?" by the child he never sired (though not for want of trying), the answer would have gone something like this:

"I inflated red-coloured balloons and then launched them.

I used them to plot the direction of the wind. I would give wind-charts to my superior, an officer in the artillery. What he did with them I've no idea; but, duty done, I would return to the barracks to play chess or read a detective story."

Sartre might have confessed that his duties as a private in the meteorological unit in Alsace of the French Army were so non-time-consuming that he was able to do a great deal of writing as well. Until he



until 1913 that the rift was complete. By the time of the Fourth International Psychoanalytical Congress, held that year in Munich, the two men were no longer on speaking terms. In the immediately following years Jung had a series of nervous breakdowns; Freud meanwhile venerated him at every opportunity.

This story is compelling enough without the introduction of Sabina Spielrein. Although she is interesting in her own right and right, Kerr does not succeed in showing that she had any real importance to the Freud-Jung saga. Their quarrel had nothing to do with her. Kerr would have us believe that she was, in effect, the pivot of a mutual blackmail: he claims that Freud's knowledge of her affair with Jung - if affair it really

was - was Jung's reason for keeping to himself his knowledge about Freud's incest with his sister-in-law, Minna Bernays. Kerr himself shows this hypothesis to be implausible, reporting that many of the early psychoanalysts, setting an honourable precedent, no doubt, slept with their patients. Why should Jung worry particularly? Moreover it is clear from Kerr's account that Freud made desultory attempts to detach Spielrein's loyalty from Jung, but failed.

So she is a minor figure used by Kerr merely to give the story a novel perspective.

But the story is gripping nevertheless, and for its controversial underpinning both of pay-

psychoanalysis and its creators it makes an entertaining and highly educational read - and perhaps an important one.

P op to the shops or let in the cat, and Thomas Keneally has got another novel on bookstores' acquiescent shelves. How he chucks them out. This is his 22nd. In honour of the ice-dancing marks at the winter Olympics, I would award *Jacko: The Great Intruder* 5.7 for technical merit and 5.8 for artistic impression - about the same as Torvill and Dean's bronze medal only, strictly ballroom, *Saga Holidays*, Radio Gaga.

I exaggerate. But only because I like Keneally enormously, have read most of his novels and wish he would slow his pace, stop the churning and present us with a "say five superior novels in its time remaining to him rather than a baker's dozen of bits and bobs."

I met Keneally once. Bumped into him at an airport. He had just won the Booker Prize. I grasped his hand. Thanked him for being him. Warmly, he responded. He is small and turnipish, a pedantically-handsome, eccentrically-handsome, and dressily-handsome, and dressed in the clashing pastels favoured by Keneally with adoration and vigor, is determined to engineer a meeting with Australia's Nobel prize-winning novelist (obviously Patrick White: a splendid piece of homage).

But with *Jacko: The Great Intruder* he burdens himself with a plot that is wilfully testing, if not pixelated. Jacko Emptor, from Australia's medieval Northern Territory, works for a New York TV station, Vixen Six, owned by a shadowy Australian media-king (obviously Rupert Murdoch). Jacko is a trespasser, barging into people's homes - including that of an ex-soldier whose daughter has disappeared - on behalf of his show, *Morning Manhattan*.

JACKO THE GREAT INTRUDER
by Thomas Keneally
Hodder & Stoughton £15.99, 316 pages

Meanwhile, the plot keeps nipping back to Oz: to the Emptor's vast cattle station (beautifully rendered: see Keneally's non-fiction *Outback* for the source of this material) and Sydney, where Jacko's family pursue their own storylines. His brother, a gay opera-goer, has his hand in his company's till, while Chloe, the Emptor matriarch, etched by Keneally with adoration and vigor, is determined to engineer a meeting with Australia's Nobel prize-winning novelist (obviously Patrick White: a splendid piece of homage).

Meanwhile, back in New York, Jacko sets about tracking down the ex-soldier's daughter, who may have been kidnapped. But there is trouble with the pacing. No sooner have we got accustomed to switching between New York and Oz than the plot lurches off to Germany, for the fall of the Berlin Wall.

This episode is so well-handled that we realise better off producing a solid satire on the TV biz than interrupting his story with cuttings among the café society of Sydney. At one point in Berlin, Dannie, Jacko's fearsome female producer, admits that TV may be the domain of clowns, but then spits back: "Clowns, maybe, but we put the spin on the direction history goes. We're putting the spin on it this afternoon. We make up out of our own heads the way people feel."

Make up out of our own heads the way people feel. How very good. What a missed opportunity: what a pity that Keneally didn't go for the throat of Rupert Murdoch and all the lesser monsters who breed in the video-ghetto. He could have done it standing on his head.

• Sceptre has republished Keneally's *Schindler's List* (paperback, £2.99) to coincide with Steven Spielberg's film. Re-read that save a tenner.

can see plainly the emotional double- and triple-life he was leading, the deceptions it involved when he went on leave and had to confront both women.

After the French collapse which Sartre refused to believe would happen, the surviving letters are few. The book concludes with one or two written in New York after the war. They reveal a rapidly spreading celebrity, and contain news of fresh emotional entanglements. There is also an amusing description of the John Huston ménage in Ireland where Sartre stayed without Beauvoir while working on the script of a film about Freud. The translation is serviceable, the editing sparse.

Anthony Curtis

A front for emotional deception

was captured in 1941 his wartime output was phenomenal. He wrote the whole of *The Age of Reason*, the first volume of his novel-sequence *The Roads to Freedom* in his leisure hours, plus 15 notebooks (the surviving ones have been published as *Notesbooks From A Phoney War*) in which he sketched out theories derived from Heidegger and Husserl, the foundation of his massive philosophical work *Being and Nothing*.

In addition, he wrote almost daily letters to his mother, his young mistress Wanda Kosakiewicz, and to his mistress-companion, Simone de Beauvoir.

Wanda and her older sister Olga had been pupils of Beauvoir in Rouen before the war. At that time Olga had become attached to Sartre and it was she who inspired the character of the philosopher's girlfriend Irène in Sartre's novel. The sexual triangle formed by Olga was also used by Beauvoir in her novel *She Came to Stay*. But now it was her sister Wanda who was Beauvoir's young rival for Sartre's affections.

It is Sartre's letters to Beauvoir at this period that are published in English translation as *Quiet Moments in a War*. Though the background is

billet, and flirtations with the blowzy Alsatian waitress in a cafe he always used for lunch. Then there is the tantalising prospect of leave, continually postponed, and constant requests to Beauvoir for money. As an impression of the futility that preceded the Fall of France, observed from the Front line, the letters could not be bettered.

They complement the previous volume of his correspondence with Beauvoir from 1936 when they first met to 1939. Both volumes were published together in French as *Lettres au Castor et à quelques autres*.

Castor was Beauvoir's pet name always used by Sartre when writing to her. It means "Beaver" in French and serves as a pun on her surname and her industry; but it also refers to Castor and Pollux, the Heavenly Twins of classical legend, and as such serves as an emblem of the relationship between Sartre and Beauvoir. That relation caused her as much anguish as it did joy.

"You, my little Beaver," he writes in March 1940, "you who are me. I love you so much."

He uses her throughout as an echo-chamber as he recounts in great detail the current state of play with Wanda and the other women in his life. We

ARTS

A decade ago, the correct position for the Liberal intellectual of London NW3 was clear enough. Support the Yorkshire coal miners; rally behind the time-honoured extraction of fossil fuels; defy the Thatcherite logic of pit closures.

It was a cause both brave and easy to espouse. To the literary mind, it called up comforting noble images of gaunt men in hobbled boots gathering under great iron wheels, or women in shawls mashing tea by blackened cottage hearths. Fiddle, of course, if coal is not wanted, coal miners must pass away, whether Haworthshire cherishes them or not.

So the North gets the message. No one wants fossil fuels, and in any case, there are holes in the atmosphere. Robins of their colonies, the district councils of Lancashire and Yorkshire hit upon new schemes for lighting their streets and boiling their kettles.

Brontë country can go with the wind

Nigel Spivey suggests an unorthodox solution to the Haworth moors controversy

This is wind power. Hitherto the stuff of New Age dreamers in far-off parts of west Wales and Jutland, or schemes which got no further than the blueprints of crank utopians, wind power must have blown into the practical North on the wings of divine inspiration.

What could be better? No shortage of breezes up on the moors; no shortage of under-subsidised hill farmers, ready to turn wind into hedges; best of all, no shortage of right-on-as-upmanship, as the grand North shows the pure South what energy can be generated without a smidgin of uranium or mess.

But what if the councillors of Bradford and Calderdale reckoned

without is the alternative map of England. This enjoys only minority acknowledgement, but that minority is articulate, noisy and influential. According to its preferred nomenclature, England is divided along the proprietor lines of distinguished writers. So you could travel from Daphne du Maurier's Cornwall, progress to Hardy's Wessex, perhaps head up to Houseman's Shropshire, and across to Bennett's Midlands; thence up through Lawrence's Nottingham and onwards to Woodworth's Lakes. In the course of this journey, naturally, you would have to negotiate the Brontës' Yorkshire.

The Brontës' Yorkshire. The pass-

port for entry is to have read Emily Brontë's *Wuthering Heights*; the objective of travelling there is to see the old family parsonage, home to the Brontë Society since 1927; perhaps seek out the site of Thrushcross Grange, or Lowood School, or the Haworth graveyard.

But, above all, to cast your gaze across the same tussocked wilderness as met the eyes of Cathy and Heathcliff; watch the same ploughs dive into the moor, inhale the same heady west wind. It is still a fair-weathered wind. And the crime of the local councils is to have tamed it into boiling kettles.

Leuty Haworth sprang into alliance with the Brontës' York-

shire last week with a letter to the *Times Literary Supplement*, signed by 60 names. Admittedly, they are not homogeneously Haworthian: Iris Murdoch sits oddly with Cliff Richard, who (oddly still) plans to be Heathcliff in a new London musical, and the coalition of Ted Hughes with Auberon Waugh is provoking.

But these signatories are bound by the insistence that wind turbines shall not be erected within a 20-mile radius of Haworth (sorry, the Brontës' Haworth), because they constitute "an assault upon our artistic and our literary heritage".

When utopian dreams of putting wind to work are turned into bla-

phemes against nature, one has to question the pieties behind this protest. It is an unusual conflict, in which the conservationists of the earth's atmosphere find themselves opposed by conservationists of a literary ambience.

The reason is that in the secular society of modern intellectuals, the houses of great writers have supplanted saintly shrines as places of pilgrimage. Relics must be preserved, the landscape of works maintained. Seeing is believing. We will not understand *Wuthering Heights* if we cannot roll our eyes across Emily's own moors. That must be the ultimate ground on which the protestors stand.

Thus exposed, it reduces to a naive view of the human imagination. And it imposes a strictly Romantic definition upon beauty, whereby wilderness alone is chief of the muses. It would be interesting to learn how many of the protestors would consider retrospectively demolishing all the windmills of Suffolk - Constable's Suffolk - or indeed that unsightly water mill at Flatford. Or are such man-made intrusions acceptable once touched by the brush or pen of a genius?

Here lies the only solution to this issue. Bradford council, which is hospitable to the creative spirit, must commission a work of art. It may be a poem, a novel or a grand painting; it may be a film, even a soap opera. An otherwise tale of wind-farming folk: their trials, passions, couplings and bereavements. If it is done, and done well, I dare say we will look kindly upon the turbines of the West Riding.

Bussell dances Balanchine

Alastair Macaulay watched this British ballerina show New York audiences a thing or two

While other ballet companies are still learning how to dance the style of George Balanchine, New York City Ballet - the company he founded in 1948 and, until his death in 1983, shaped - is forgetting. The irony is tremendous.

This month, Darcey Bussell, the remarkable 24-year-old British ballerina, danced five performances with NYCB, appearing in Balanchine's *Agon* and *Symphony in C*. (She is the first Royal Ballet ballerina ever to appear with this company; her success was such that the company gave an extra unscheduled performance of *Agon* with her.)

It could be seen at once that these great two ballerina roles - one so bold and modern, danced in leotard and tights, to Stravinsky's extraordinary venture into atonality; the other so resplendently serene, danced in white tutu to Béla's symphony - had not been performed on this scale since the legendary Suzanne Farrell quit dancing them over ten years ago. True, there is still plenty for Bussell to learn about how to dance Balanchine. But how strange and thrilling to see that she understands much of the essence of Balanchine style better than most of those about her.

Even until 1987, NYCB was like no other ballet company: more than that, it was one of the supreme cultural institutions of this century. Classicism, modernism, romanticism:



Paul Harkiss

Darcey Bussell in 'Symphony in C' at the New York City Ballet: there is something extraordinarily lascivious about her style

you went to NYCB to see all these things in *excess*. And at the same time you went to see a quintessential expression of New York's own spirit: "High-density grandeur". I remember writing on umpteen postcards home during my first visit to New York 15 years ago; I was referring to the thrill of both the city and its ballet company.

Today, New York City Ballet is a very proficient troupe. Probably no other troupe in the world can match it for speed, or lower-body virtuosity. But these are relatively superficial virtues. What has been gradually eroding at City Ballet is the basic core of energy, musically shaped energy, classical energy pouring from the centre of the body through gleamingly turned-out limbs. What you used to see onstage at NYCB was as glorious as the Chrysler Building in the sunlight; whereas now you see Trump Tower grit.

That kind of coolly radiant classical energy is just what Bussell has in spades. Dancing *Agon*, she is prodigious. The still astounding rhythms (mixing Greek, atonality, and baroque), bodily shapes (mixing Greek imagery, Renaissance court dance, traditional ballet classicism), and phrases (taut, lean, unpredictable, explosive) of this choreography have been scaled down at NYCB over the past ten years - and with Bussell (as Covent Garden has already seen) the 1987 masterwork

becomes again huge, sharp, audacious. In one lift in the great *pas de deux*, spread across her partner's back, Bussell suddenly splits her legs wide apart in the air - and, though the move has always been part of the choreography, this time it caused a gasp around the New York State Theatre - the kind of gasp that was once part and parcel of the "emotional ballet" *Agon* used to be at every performance.

In *Symphony in C*, where Bussell dances to the long exotic legato lines of the second movement's oboe solo, it is easier to see what she has yet to learn (and not only for Balanchine). She has a band of muscle across the top of her shoulder blades that gives tension to her upper body just where it needs relaxation. Sometimes this makes her neck look shorter than it is; and seldom does it allow her to show the upper-body plasticity and suppleness that is a vital part of both American and British classical style.

At her first New York performance, when she was part-

nated by a nervous novice and showed occasional (atypical) signs of nervousness herself, she tended to cut Balanchine's adagio choreography up into separate sections. (Even in *Agon*, she should acquire more sheer connective impetus and momentum.) Though her dancing radiates upwards and outwards into space, she has not

ent. There is something extraordinarily lascivious about her style - even more than ever before. She is the most erotic dancer in New York. But NYCB has many more roles, and many finer points of style, that she can learn and there is much that its dancers can (re-)learn from her. Balanchine loved youthfulness, and it is hard to believe he would not have adored Bussell's innocence.

Now, let nobody suppose that Bussell's success in Balanchine is a vindication of the Royal Ballet in general. The Balanchinean virtues possessed by Bussell are not shown by any other British dancer. During the 1980s, the Royal Ballet - perhaps largely in response to her immense talent - has been acquiring more

Balanchine ballets than ever before. Balanchine choreography shows, more clearly than anything else, that most British dancers today do not fully coordinate upper and lower body. Few of them dance, as does Bussell, from a clear centre.

It is to be hoped that Bussell returns to New York City Ballet. This time, she was simply dancing (and with little rehearsal) two of the nine Balanchine roles she has already learnt in London. It may be that there are other places - Miami, Seattle, San Francisco - where Balanchine style is fresher than it is now in New York, but NYCB has many more roles, and many finer points of style, that she can learn and there is much that its dancers can (re-)learn from her. Balanchine loved youthfulness, and it is hard to believe he would not have adored Bussell's innocence.

As Londoners have had the chance to see for four years now, the more Balanchine Bussell gets to dance, the more youthful she becomes.

These performances showed me more than ever before how beautiful Darcey Bussell's talent is

Alastair Macaulay

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ARTS

Danger is the spur at the Kirov Opera

Valery Gergiev, chief conductor and artistic administrator of the Kirov Opera of St Petersburg, sits in one of the ornately stuccoed side-offices of the Maryinsky Theatre, sipping a can of beer and reflecting on the urgency of his mission. It is late; he has already conducted a Rimsky-Korsakov opera and the dress rehearsal of an about-to-open new Rimsky-Korsakov production, let alone all the organisational confab that seem to fill his every minute in between.

But plainly Gergiev's energy supply equals his passion for the task of keeping the Kirov Opera alive and kicking. Of the difficulty of that task he is in no doubt. "This is a terrible time for the country. Many parts of this city are in a very bad state. We have to show that there is at least one reason for people to have pride in St Petersburg." Few of the world's leading opera companies convey a greater sense of do-or-die importance in their commitment or manage to forge ahead in conditions apparently so comprehensively unfavourable to progress.

In the week of the Kirov's Rimsky-Korsakov in the 20th Century Festival the trouble dropped from 1,450 to 1,600 to the dollar. This was, of course, not an isolated fall. Remember the Chinese curse - "may you live in interesting times"? In this sense these are indeed interesting times for the country, most of whose cultural institutions are engaged in the simple attempt at survival.

At the Kirov the difference is that living dangerously has proved a spur, not a bar, to artistic vitality. State support, now down to about 20 per cent of company budget, pays only for salaries - and, Gergiev says, "they are low, far too low". Box-office revenue is not a serious consideration: although foreigner pay dollar prices for tickets, up to \$45 for best seats, top level for locals is only 5,000 roubles. This reflects Gergiev's concern to keep in touch with his "real" public: "We are not going to punish the people of Russia who love opera. They already have many things unavailable, even food, and are living from day to day."

Money for productions must be found from other sources. The main one is the contract Gergiev and the Kirov Opera have fixed with Philips, which

has led to a superb stream of Russian discs. The Philips connection is crucial, and highly demanding. During the festival live concert recordings and non-live operatic ones were taking up every spare second of Gergiev's time.

Foreign tours - never with easy-sell *Boris* and *Onegin* schedules - but always with material genuinely reflecting the company's current pre-occupations - have become a regular feature. The Friends of the Kirov, a British organisation (president: Plácido Domingo, who sang a Kirov Otelis last year) that has sprung up alongside Gergiev's time with the Royal Philharmonic, is already enthusiastically spreading the word about the

Max Lopert talks to Valery Gergiev, whose passionate energy is keeping the operatic tradition of St Petersburg alive

company; other friends' groups are planned in other cities.

Meanwhile, the Kirov Opera operates on a knife-edge. The company has no press officer and very little in the way of permanently attached artistic direction; Gergiev's right-hand man also plays oboe in the orchestra and teaches at the Conservatory. As a leading British opera-house administrator visiting the festival wryly put it, "This certainly all gives one pause about how many people you actually need to run an opera house!"

But so skeletal an administrative complement does not lend itself to quick decision-making: according to a Western opera-house boss trying to co-ordinate the future acquisition of one of the Kirov's Rimsky-Korsakov productions, hanging around for meetings whose conclusions must then be re-confirmed with other outposts of the Maryinsky bureaucracy, is a draining one: "What this company needs is just one good business manager!"

What it does have, instead, is the extraordinary Gergiev, a "one-man powerhouse who can make anything sound possible" according to a recent *Opera* profile. He came into the job five-and-a-half years ago, at the age of 35. New freedoms were

opening up: "Never before", he says, "had we felt power like that - suddenly we felt strong, all 400 or 500 artists".

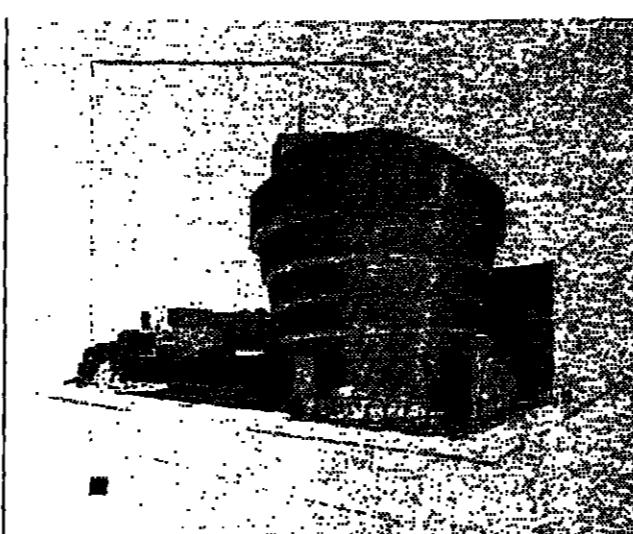
Not a native Petersburger - he was born in Moscow and grew up in the Caucasus - he came to the city as a student and its glorious musical tradition, as exemplified by the Philharmonic Orchestra, the Conservatory and the Maryinsky, have inspired his own musical gifts.

The preservation of that tradition, at least the operatic part, is now the torch he carries. But Gergiev's is no hide-bound version of preservation: continual renewal and reclamation (such as the restoration in Tchaikovsky's *Swan Lake* and Rimsky-Korsakov's *Kitezh* of all textual references to Christianity long censored in the Soviet era) is its characteristic feature.

He has invited in production talent from the West - Graham Vick, David Freeman, Tim Hopkins, Brigitte Fassbaender - while resisting the notion that fashionably interventionist Western staging styles should be sought for everything. A handful of his top singers have moved westwards; more numerous are the ones such as Galina Gorchakova and Olga Borodina, blossoming world stars who keep homes in the city and their Kirov links alive by, *inter alia*, trying out new roles under Gergiev's care. The belt of the Philips Kirov recordings is evidently a succulent one.

Above all, his artistic policy is to re-examine the St Petersburg inheritance and spark vital new connections. The Prokofiev, Mussorgsky and Rimsky festivals have all been undertaken in this light; next year's large-scale survey of the "Russian" Stravinsky - a Petersburg composer whose towering stature is still not conclusively established in Russia - will continue the process. New operas are being commissioned.

And so the work goes on: round the clock, it appears. Can it all last? Gergiev wisely evades all future speculation, preferring to close our midnight conversation with a ruefully humorous observation: "If everyone in Russia could work as hard as we have done here in the last five years, there would be no economic problems".



One of the many drawings, this one by Peter Berndson, of Frank Lloyd Wright's designs in the current exhibition at the Guggenheim Museum

Built in America

Paula Deitz on the Frank Lloyd Wright exhibitions in New York

"We will never have a culture of our own until we have an architecture of our own," is how Frank Lloyd Wright expressed his main idea to the people of Marin County, California in 1957 when he designed their Civic Center, the final building of his career.

During his 70-year career which began in the Arts and Crafts movement and ended in soaring designs at the threshold of the space age, Wright never lacked for words or ideas in his mission to create an architecture that became a vehicle for his views. He also oversaw the design of all publications dealing with his buildings to control how people perceived them.

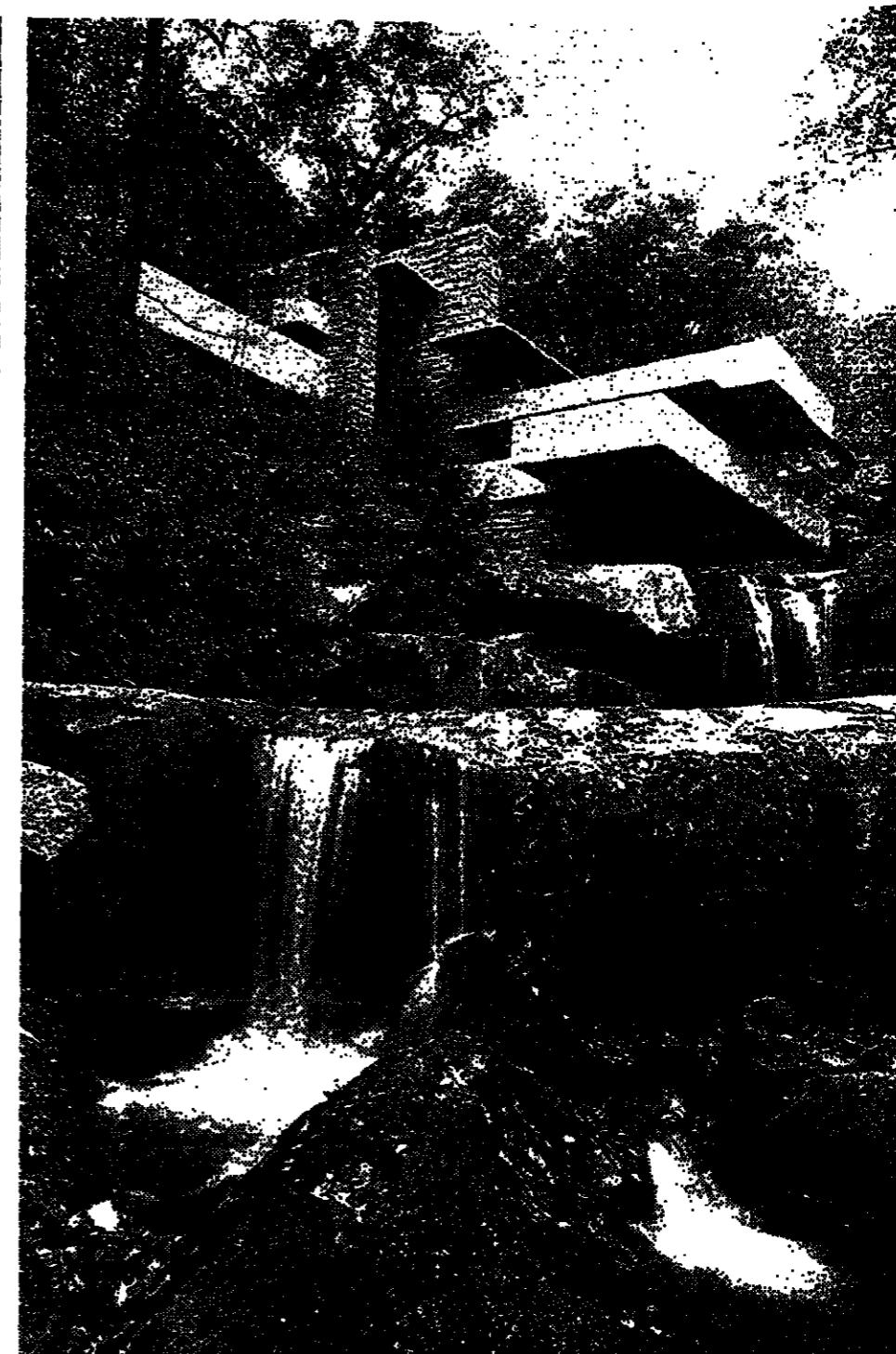
This is interesting to keep in mind as one plunges into the Museum of Modern Art's major retrospective, *Frank Lloyd Wright: Architect*, which features 350 original drawings; 30 scale models, some newly constructed; six full-scale mock-ups of innovative wall sections; photographs and assorted architectural and decorative fragments, covering 120 buildings and projects. And yet, the picture is not complete without viewing four other concurrent Wright exhibitions in New York: his decorative arts at the Metropolitan Museum of Art; Pedro E. Guerrero's photographs of Wright at work and play over a 20-year period, at the Lobby Gallery; the Guggen-

heim Museum's survey of drawings for its own building; and finally, at Columbia University's Arthur Ross Architecture Gallery, a reverent look at the rare *Wasmuth Folios*, the 1910-1911 Berlin publication that paired Wright's selection of photographs and lithographs.

Because Wright orchestrated a unified whole that took into account every detail of furnishings inside and landscaping outside, the term architect seems too limiting a definition. He called himself a farmer, architect, and collector, acknowledging his origins in the Wisconsin countryside and his fascination with the objects he integrated into his interiors. He had the ability to make a masterpiece out of the quotidian - and did for over 300 suburban American houses.

At MoMA, the exhibition begins with the low-slung prairie house of the Mid-West, the drawings demonstrating the various stages in devising the pinwheel arms that rotate around the central vertical element, the hearth. Placed under a massing of horizontal rooftops, these houses with overhanging eaves and proulike profiles exude protective warmth.

Unfortunately, what the multitude of drawings for each house conveys is lacking in the newly made and colourful models. Wright, in matching



"Fallingwater", the spectacular house in Pennsylvania that Frank Lloyd Wright built for the Kaufmann family

photographs with lithographs, found the diagonal views more dynamic: distant elevations of houses terraced into hillsides makes them appear like some elaborate Lamasit temples in Tibet. In comparison the models appear flat and static. In reality, his settings do direct visitors to the diagonal angle: nothing in American equals the view of the cantilevered concrete terraces as seen from below the waterfall at Fallingwater, his Pennsylvania house for the Kaufmanns.

In 1908, Wright went to Japan, where his influence is still strong, if only to preserve his buildings. Indeed the Imperial Hotel, before its demise, was like a great Meiji shrine. His admiration for the techniques of old Japanese prints influenced his style of presentation drawings.

His career was like a tide that kept coming in, bringing something new each time. He was a magician of style, always with something new up his sleeve, and passionately devoted to the quality of life in an America where he sought to integrate agrarian values into suburban communities. He titled a photograph of himself standing behind his drafting board like some short order cook: "I am an architect. What'll you have?"

The Björk saga

Björk is the biggest thing to come out of Iceland since Eric the Red. First as front singer for cutesy band the Sugarcubes, and now very much her own invention, she has done even more for her home land than the cod. With a smash album, *Debut*, riding the charts, and a brace of Brit awards in her anorak, the lady was in sparky form at the Royal on Thursday night.

Björk rhymes with squawk, and she likes to interpret her songs through screeches, little

chirrups, and sudden croaks. Anyone bored with waiting for Kate Bush would be happy with Björk. Apart from her unsettling vocal attack she also has Kate Bushed in her stage mannerisms. She scampers on like a bird in white satin, swooping with outstretched arms before settling at the mike. There are plenty of jumps and skips during the

devised conserves space with furniture and cabetry. Curiously, their compact, organised spaces are liberating. And the Textile Block houses in California, with their repeated designs of plain and ornamental concrete blocks that were also economical, exude an exoticism akin to Mayan architecture that suits their Los Angeles and Hollywood settings.

In 1908, Wright went to Japan, where his influence is still strong, if only to preserve his buildings. Indeed the Imperial Hotel, before its demise, was like a great Meiji shrine.

ally they were on their feet swaying to music with a clever dance rhythm behind its innocence. Then it was "thank you very, very, very, much" and off for the next stage in the saga. The hand was noisy, but what's new. This odd little talent will go mega.

Antony Thorncroft

Chess No 1010
I... Qe2+(Qc1+) is less clear-cut) 2 Kxc2 Kc3 Nds mate) b6+! 3 Kd63 Kd4 Qxb2+ and Qxf6 Qd3+ and wins by 4 Ke5 Ng6+ or 4 Kc7 Nd5+.



SPONSORED (1994) BY THE FRIENDS OF COVENT GARDEN AND THE ROYAL OPERA HOUSE TRUST

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BOX OFFICE



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TELEVISION

BBC1

7.26 News, 7.30 Walking the Dog, 7.49 Peter Pan and the Pirates, 8.15 Crackerjack, 8.35 The Flintstones, 9.21 Live and Kickin, 11.42 Weather. 11.45 Olympic Grandstand, introduced by Steve Rider and Sue Barker, 11.50 Winter Olympics, Bobbleshop: The four-man event, Stiggin: The women's slalom, 12.50 Maya, 12.55 Racing from Haydock Park, The 1.00 Queen of Hearts Handicap Hurdle, 1.10 Football, 1.25 Racing: The 1.20 Crowther Homes Chase, 1.40 Winter Olympics, Further coverage from Lillehammer, 1.55 Racing: The 2.00 Grand Prix, Gold Cup (Handicap Chase), 2.10 Winter Olympics, 2.25 Racing, 2.30 Petrol Victor, Ludicrous, 2.40 Winter Olympics, 2.55 Rugby League: Castleford v Widnes in the Challenge Cup sixth round, 3.45 Football Half-Times, 3.55 Rugby League, 4.35 Final Score, Times may vary. 5.15 News. 5.20 Political News and Sport, 5.30 The New Adventures of Superman. 6.15 Noel's House Party, Noel Edmunds hosts as Chees star John Ratzenberger makes a guest appearance, 6.30 Fiona Bruce, 6.45 The Infamous Gobet. 7.15 Big Break, Mike Heale, Silvio Francesco and Joe Swift cue up to take part in the snooker-based quiz, 7.45 Birds of a Feather, Tracey organizes a prisoners' wives and husband support group meeting - an occasion with the usual consequences for Sharon when she falls in love with a fellow member whose jilted wife is due for imminent parole. 8.15 Casualty, Mike and the accident and emergency staff struggle to save the lives of patients, but their efforts are severely hampered by Charlie's mysterious absence, the admittance of a drug addict and the arrival of a would-be-suicid brandishing a gun. Hospital drama, starring Derek Thompson and Clive Mantle, Times' List. 9.05 News and Sport: Weather. 10.05 Match of the Day, Desmond Lynam introduces highlights from today's FA Premiership matches. 11.10 Film 80 Hours 'Til Dawn, True-life drama starring Peter Strauss (TVM 1990). 12.45 Bowls: World Indoor Championships, Highlights from the day's play. 1.45 Weather. 1.50 Close.

BBC2

6.00 Open University. 6.00 The Little Green Book, 6.15 The Mystery of Fortune, 6.30 Last Light, 6.45 See Her, 10.30 George Hill, 10.55 Short Change, 11.25 Earthstars, 11.45 The O Zone. 12.00 Italianissimo, Businessman in Puglia. 12.15 France, Aspects of France, 12.30 Rural and environmental issues. 12.55 Weather for the Week Ahead. 1.00 News. 1.03 On the Record, Political review, with John Humphrys. 2.00 EastEnders. 3.00 Film: Gambit, A cockney thief conspires with a right-wing singer to rob the son of a local statue, Stiggin, starring Michael Caine and Shirley MacLaine (1985). 4.50 The Clothes Show, Jeff Banks and the team present coverage of London Fashion Week. 5.15 Lifeline, An appeal on behalf of the Children's Liver Disease Foundation. 5.25 Antiques Roadshow, The experts scrutinize items in Mertonhew, 6.10 Songs of Praise. 7.00 As Time Goes By, Jean clashes with new partner Sally, whose haughty manner is causing resentment among the secretarial staff, Judi Dench and Geoffrey Palmer star. 7.30 The House of Elliott, The day of Eve's wedding approaches, but she begins to feel uneasy when Daniel promises to introduce her to his family. 8.25 Film: The Naked Gun, Leslie Nielsen stars in this sleazy cop spoof from the makers of Airplane, in which the plot takes second place to a succession of fast-and-furious one-liners and sight gags (1988). 9.45 News and Weather. 10.00 Sunday Night, Chris and Michaela Paine, John Gielgud in the studio, with Ruby Wax takes a look at headline stories around the world. 10.45 Heart of the Matter, Joan Bakewell examines the sensitive issue of compensation for war crimes. 11.20 Steven Spielberg's Amazing Stories, A disturbed dad cop who dreams of his son's death gets a morale-boosting visit from an invisible policewoman. 11.45 Channel Hopping, Alex Taylor visits Prague as he continues his review of job opportunities in Europe. 12.15 Weather. 12.20 Close.

LWT

8.00 GMT, 8.25 What's Up Doc? 11.30 The ITV Chat Show, 12.30 pm Movies, Games and Voices. 1.00 ITN News; Weather. 1.05 London Today; Weather. 1.10 Champions' League Special, Preview of Wednesday's European soccer action as Arsenal prepare for a difficult away leg against Italian side Torino, the cup winners cap. 1.40 Film: The Count of Monte Cristo, Swashbuckling historical adventure, starring Richard Chamberlain as a French nobleman intent on revenge after being wrongfully imprisoned (1974). 4.00 Scrutin, Insight into the work of the parliamentary committees. 4.30 Bowls: World Indoor Championships, Action from the final match in the pair's first round, featuring defending champions Gary Smith and Alan Thompson. 5.15 Winter Olympic Grandstand, Presented by Steve Rider and Sue Barker, Special-kitting: The final of the men's 500m short-track event, with World Champion Wilf O'Reilly and current European champion Michael Good, both from Britain, among the claimants. Commentator, David Coleman, Ice dancing: highlights of the traditional end-of-competition exhibition, described by Alan Weeks and Barry Davies. Plus, news from the women's slalom and men's bobsleigh, Helen Rollason and Hazel Innes commentate. 8.25 Unplugged, Steve Coogan performs a selection of songs close to his heart in this rarely seen concert filmed in 1981. 9.00 Drama, A profile of Paul Lynch, the world two-man, one-arm and one-finger press-up champion, he visits Northern Ireland to compete in another of his chosen disciplines, bare-knuckle boxing. Victory brings status and acclaim among the devotees of this illegal sport. The programme asks why such activities continue to exert such a fascination, and draws a parallel with the controversial subject of violence on TV. 10.05 Beyond the Line, Hard-hitting police drama, starring Neil Pearson, Tom Georgeon, Stephen Redmond and Jack Shepherd. 10.55 Film: Open Doors, A kindly judge tries to save a murderer from the death penalty. Powerful courtroom drama, starring Gian Maria Volonté (1980, English subtitles). 12.45 Tour of Duty. 2.40 The Big E. 3.30 Travel Trails. 4.00 New Music. 8.00 BPM.

CHANNEL 4

5.00 4-Tel On View, 6.35 Early Morning, 10.00 Tony Jedlin's Pro-Celebrity Golf, 11.00 Gazette, Footy Italia, 12.00 World Tennis, 12.30 pm Isrome Conversations. 1.00 Film: Laughter in Paradise, Alastair Sim and George Cole stars in this comedy tale about a deceased joker's four legacies - each with a sting in its tail (1982). 2.45 Racing from Kempton Park, The 3.00 Adams Hurdle, 3.35 Pendle Trophy Novice Chase, 4.10 Racing, Post Chase Handicap, and the 4.40 Pendleham Hurdle. 5.05 Brokeback. 6.30 Right to Reply, Viewers' verdicts on recent TV programmes. Hosted by Tony Blair and Tony Bellotti. 7.00 A Week in Politics, Informal recap of the week's important parliamentary developments; News Summary. 8.00 Beka: People of the Rainforest, Second of the award-winning two-part drama-documentary studying the lives of the primitive inhabitants of the Amazon, and their struggle to survive the pressures exerted by the modern world. 9.00 NYPD Blue, Kelly and Sipowicz are assigned to investigate the disappearance of a young boy, and a separate, equally tragic, even more harrowing case when a key murder witness comes forward but claims special treatment on the grounds that he is a wimp. 10.00 Don't Forget Your Toothbrush, A dental health education guide to win a dream holiday in Barbados. 11.05 United States of Television, Offbeat insight into the world of American TV, including a selection of exercise clips by everyone from Larry King to David Letterman and Donny Osmond. Plus, a look at a new generation of advertisements for personal products, and a report on the million dollar business of telephone psychics. 11.50 Broadway Stories, Mike McShane narrates this Damon Runyon tale about a man who tries to impress his new wife by claiming to have Mob connections. 12.20 Late Licence. 12.30 Viva Cabaret. 1.20 It's Roger Mollie: The Man on the Tally. 1.35 Herman's Head. 2.10 The Word. 3.10 Free. 4.05 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLO: 1.05 Anglo News, 1.40 Knight Rider, 4.35 Anglo News and Sport, 6.10 Anglo Weather, 11.30 Oxford University, 19.00

BORDERS: 1.05 Border News, 1.40 Superstars of Wrestling, 2.20 Rockport, 5.00 Border News and Weather 11.30 Order by Innocence (1985)

CENTRAL: 12.30 America's Top 10, 1.05 Central News 1.40 Movie, 2.00 Central Weather, 2.10 World Cup, 2.30 All Central, 5.00 The Central Match - Goals Extra, 6.10 Local Weather, 11.30 Experts to Tener (1979)

CHANNEL: 12.30 Head, 1.05 Channel Four, 1.10 Sat the Week, 1.30 Channel News, 1.40 Channel's League Special

GRAMPIAN: 12.30 Crumlin-Ca, 1.05 Grampian Headlines 1.40 Telefex, 2.10 Grampian, 2.30 Grampian News Review, 3.00 Grampian Weather, 11.30 Order by Innocence (1985)

GRANADA: 1.05 Granada News, 1.40 Superstars of Wrestling, 2.20 Rockport, 4.45 Granada News 5.00 Cartoon, 11.30 Order by Innocence (1985)

HRTV: 1.20 The Great Bong, 1.25 HTV News, 1.40 Sat the World, 2.10 Movies, Games and Video, 5.00 HTV News and Sport, 6.10 HTV Weather 11.30 Order by Innocence (1985)

ITV: 1.05 ITV News, 1.40 ITV Weather, 1.50 ITV News Review, 2.10 The Legend Hobo, 2.30 Cartoon Time

ITV2: 1.05 Head, 1.05 Meridian News, 1.10 Sat the World, 1.30 Meridian News, 5.10 Cartoon, 11.30 Champions' League Special

ITV3: 1.05 Head, 1.05 Scotland, 1.10 Sat the Week, 1.30 Saturday Sport, 2.10 Movies, Games and Video, 5.00 Saturday Sport, 9.10 Sat the Week, 11.30 Vengeance, The Story of Tony Martin (TVM 1985)

ITV4: 1.05 Tyne Tees News, 1.40 Worried: Dead or Alive, 2.10 Yesterday's Heroes, 4.45 Tyne Tees Saturday 11.30 Order by Innocence (1985)

ITV5: 1.05 Northern Counties, 1.20 ITV News and Sport, 1.40 WCW Worldwide Wrestling, 2.20 Cartoon Time, 5.00 ITV Live Earthy Evening News 11.30 Order by Innocence (1985)

ITV6: 1.05 Tyne Tees, 1.20 Meridian News, 1.40 Westcountry Weekend Latest, 5.00 Westcountry Weekend, 11.30 Order by Innocence (1985)

ITV7: 1.05 Caledonian News, 1.40 Worried: Dead or Alive, 2.10 Yesterday's Heroes, 4.45 Tyne Tees Saturday 11.30 Order by Innocence (1985)

ITV8: 1.05 Meridian News, 1.20 ITV News and Sport, 1.40 WCW Worldwide Wrestling, 2.20 Cartoon Time, 5.00 ITV Live Earthy Evening News 11.30 Order by Innocence (1985)

ITV9: 1.05 Tyne Tees, 1.20 Meridian News, 1.40 Westcountry Weekend Latest, 5.00 Westcountry Weekend, 11.30 Order by Innocence (1985)

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ITV47: 1.05 Tyne Tees, 1.20 Meridian News, 1.40 Westcountry Weekend Latest, 5.00 Westcountry Weekend, 11.30 Order by Innocence (1985)

Dat V



How sad it is to have to confirm that, on the sporting field, from the sweltering cricket pitches of Jamaica to the icy rinks of Norway, Britain has become not just a nation of losers, but a nation of bad losers.

Of the reports in yesterday's newspapers of the England cricket team's loss to the West Indies, on average about two-thirds of the space was given over to whingeing about the allegedly unfair treatment meted out to Devon Malcolm (England) by Courtney Walsh (West Indies). For those of you who, perhaps wisely, have avoided reading these interminable moans, the single fact involved is that the West Indian fast bowler subjected the least able English batsman to a

series of short-pitched deliveries, during which the Englishman scored 18 runs and, in return, took four blows to his body.

Among the English commentators who have rushed to denounce Walsh is Bob Willis. Now Willis was for many years England's most destructive fast bowler, and by no means averse to a bit of intimidation, especially against the weakest international opposition. Willis has perhaps forgotten the time one of his well-directed bouncers removed some of the teeth of Iqbal Qasim, then the undisputed rabbit of the Pakistani team.

The whining behaviour of the English press, not all of whom, at least, could be accused of hypocrisy, is particularly unappealing, given Malcolm's own response: "It's just part of the game," he said, adding with the sort of stoicism that we associate with the English gentleman: "It's only pain."

That is where the debate should have ended. But instead the bad losers of the sporting press carried their whingeing on to the front pages. This time the target was the group of men and women who judged the ice dance competition at

the winter Olympics.

Apparently it was inconceivable to the 23m people who watched the competition on BBC Television that the British couple, Torvill and Dean, could have failed to win. After all, 23m people would not be watching something as fatuous as an ice dancing competition, unless it were to see an English couple winning. So it must have been a conspiracy by foreign judges that prevented the rightful and predicted English victory. And, conveniently, it was a German judge who gave the lowest marks to the English couple.

It did not take many commentators long to recall that it was a German referee who "robbed" the English football team in its World Cup qualifying match against the Netherlands last year.

Ice dancing is a completely bogus sport, particularly as an Olympic event. Let these bland looking couples do their dances on the ice if they must, but let us not pretend that it is possible objectively to decide, in the precise order of one to 20, which of them is best, second best, third best, and so on. Still less should we believe that the public, and its cheer-leaders in the press,

are capable of distinguishing precisely between the merits of Torvill and Dean as opposed to those of Grichuk and Platov, and Useva and Zhulin, the Russian pairs who gained the gold and silver medals.

I doubt whether more than a tiny proportion of the 23m viewers could now remember even the names of the winning Russian couple. But I do wonder why we British have become so consistently bad sporting losers. Perhaps it is simply that we have recently had a lot of practice at it. Or perhaps there is some more profound reason.

When Britain was a pre-eminent economic and political power it mattered relatively little whether we also ruled the sporting world. When you are controlling a third of the world's population you can afford to be a little generous on the sporting field.

Even when we failed to win, we knew Britain was still the greatest nation on earth, and no mere loss of a cricket game could change that. And if the other side used unfair methods, that merely confirmed British superiority. But now that the pattern of world affairs leaves us with no special place in the sun, we have become petulant and bad tempered. And as children of the welfare state, we are very much at home with the thought that whatever goes wrong is always someone else's fault.

■ Dominic Lawson is editor of The Spectator

Private View/Christian Tyler

The taming of a lion of literature

In the 1930s - Berlin, Spain, socialism and homosexual love - defined him. The 1990s have enshrined him, a relic of his age, the surviving limb of the poetic quadruped that Roy Campbell called MacSpaunday - MacNeice, Spender, Auden and Day-Lewis.

What happened in between? Stephen Spender, 85-years-old on Monday and with a rare volume of new poems to mark the event, says that somewhere around the middle of his life he became domesticated.

"I think I got so much involved in things largely to do with earning money and supporting my family," he said. "I can't look back on my last 40 years as a kind of legendary, private, personal thing."

Do you mean you've been too successful for a poet? Too suburban?

"Yes, very bourgeois. Too much so, I think. And I regret that, very much, I wasn't when I was young, because I went to Spain during the civil war and lived with a friend of mine, a working-class friend." (He means the youth he called Jimmy Younger in his 1951 autobiography).

"And I don't go to pubs. I often think my life would be much richer if only I'd gone to pubs all the time."

Why do you say that?

"Because I think this a very limited existence and a limited view of existence. One has to realise that self-interest is a very high priority: one's standard of living becomes a very high priority, you see. But that is all to do with family. Then friends have been very important."

The young idealist who used to talk of "going over to the proletariat" has lived in a rented villa in fashionable St John's Wood, London, since 1945. The house is painted blue, inside and out. There he lives with his second wife (his first marriage was brief), Natasha Litvin, a Russian pianist. They have a son who paints and a daughter who writes: she is married to the female impersonator Barry Humphries, which makes Spender Dame Edna Everage's father-in-law.

I asked him if the bourgeois life had been bad for his writing. "My writing would probably

be different. I don't think it's really bad for my writing. I mean, I think in a way my poetry is all one long poem.

And I think - I hope - that it's moved outwards from being about myself, discovering my own identity, partly into discovering other people's and partly about the historic period we've lived in. That's extremely important, isn't it?

There's something very unreal about middle-class life today. You can sit eating a lamb cutlet and you have television on and you see a child in Asia somewhere starving to death in front of one's eyes, or people being murdered.

What do you do? Do you stop eating the lamb chop, do you turn off the television?" He laughed, tickled by the dilemma. "I think you somehow have to go on... facing the lamb chop and thinking, well, this is my life."

He has written about the dreadful events of his century, but thinks a writer cannot enter in too far. "I mean, the real experience today is the 10 seconds before someone is murdered, in the concentration camps or something like that.

"No I'm sure I haven't. No, I've never sought out anything. I really haven't." But later, only half-jokingly, he said: "There's a sort of danger, if you don't see your name in the newspaper you think you no

knights - Isaiah Berlin, Stuart Hampshire, though not Francis Bacon who refused everything.

"What I'd really like is to be known to have refused a knighthood. I'd like there to be an honours list with in the left-hand column the honours and the right-hand column those who refused." He giggled, and I saw the cheeky Oxford undergraduate behind the old-lady face. "It's just vanity, absolute vanity."

Are you going to tell me the best thing about a knighthood is being able to get a table in a restaurant?

"That's exactly what was on my lips." He laughed delightedly.

Spender seems gentle, naive, and vulnerable. He is a lot tougher than he looks. I mentioned his string of appointments, especially in the US, and asked: Have you helped create your own worldly success?

"No I'm sure I haven't. No, I've never sought out anything. I really haven't." But later, only half-jokingly, he said: "There's a sort of danger, if you don't see your name in the newspaper you think you no

As a poet, Spender has not been prolific - he has written essays, reviews, journals, autobiography and fiction - and some critics say he has written only a handful of great poems. His ambition from the age of 10 was to get one piece into the *Oxford Book of English Verse*. He hopes he will be included in 100 years' time - but for something other than his much-anthologised "The Truly Great."

I said: You've written yourself out of your ambivalent sex life. Did you marry and have children in order to get away from the homosexual ghetto and the misery you thought you might have to endure?

"Well, perhaps," he said cautiously. "I think that every vocation requires some kind of gift, doesn't it? What's rather marvellous today is that there are homosexuals who are sort of gifted for being homosexuals.

Auden, he said, was an example of a homosexual who had no gift for it: he really wanted to be married and would have been a wonderful father.

"I am not really happy living with another man. I just find it a strain."

Of course in the 1930s it was sort of fashionable?

"Yes it was. It was a sort of club. And if you forsook the club they were very annoyed. They felt very let down, especially as it was a club of people who were taking high risks... Well, not high risks like Mount Everest - more Mount Skiddaw or something." He laughed.

Is living in the 1990s interesting for you, or a struggle?

"I think it's still interesting. Anyhow to be a survivor is to mean that you carry something with you which is of your generation. I feel I do carry something with me which is of my generation and of my friends."

This sense of being part of a continuum is described in *Dolphins*, the new book of poems, where Spender reflects on Samuel Pepys' diaries, and writes:

No, when I read Pepys now, he and his cronies Burn from their days and through my veins - Their acts and passions one Moving through mine!

Is writing, I asked him, an attempt to make sense of life or a prop for life?

"No, it's a way of trying to make sense of life, and trying to do so as clearly as possible. I've always tried to be as clear as I possibly could. It's also a record of experience."

Spender recently started keeping a diary again, not only in order to keep a grip on names and events but to recapture, as he put it, "the feel of things and the sensation of people, the characters."

Even at this stage of life?

"Yes, even at this stage of life. And also I do know rather interesting people."

So you explain life to yourself by writing about it?

"Yes, I do."

And you give yourself a purpose for living as well?

"Well, my purpose for living would be just to do that, I think."

It sounds circular, I said.

"I suppose. But why not?"

And it goes on until you drop off the perch?

"I hope so, yes. I think so. It becomes all one's life, so if one stopped one would drop off the perch."

Do you still suffer from youthful idealism?

"Yes, I think so, yes."

But idealism is about the future. At 85 what kind of idealism can one have?

"At 85," he said immediately.

"I think one should express no public opinions because they may involve something such as you'd be prepared to die for and you're going to die for some other reason. You can't put your life on the line any more, can you?"

"I'm quite clear about that. I don't think I should express any opinions about anything publicly. Just try to go on writing my work, my thoughts, my diaries."

Aren't you supposed to be the village elder now? To sit in the sun with your hands over the stick and provide a free consultation service for the middle-aged who are trying to run the show?

"Yes, I know. That would be possible in the city state, like Athens, but I don't think old people are in that position now, are they?"

What's the fun of being 85 if you can't hand down wise words?

There was a long pause. Spender was obviously working up a joke. Then he began giggling: "I think the fun of 85," he said, spluttering with mirth. "is that one won't have to live into the next century."

Stephen Spender, a living monument of English letters, is 85 next week. He describes how his idealism has made a compromise with life

The reality of our time is of consciousness participating in its own extinction, being destroyed, you see, in some terrible way."

Poets, he said, had always been aware of moments in which poetry disappeared into "a terrible reality beyond itself." It was what *King Lear* was about, and why Dr Johnson couldn't read it. "Johnson wanted to stay this side where there is literature. I'm very conscious of doing that."

Spender shows signs of the classic complex of the too-comfortable, silver-spoon socialist. But he has not been entirely passive. Not only did he go to Spain, he instigated Index on Censorship in response to a plea from the Russian dissident Pavel Litvinov.

You have a CBE, I said, accepting, and a knighthood.

"My son was very upset when I accepted. I said all my friends have been made

longer exist."

How do you react to being lionised?

"I suppose one does in a way. The answer is one quite like that. I make an entry, you see. On the other hand I am very glad that in England so little is made of all that."

Is it one of the recompenses of the writer's life that people come up to you?

"I like that. I always wanted that. When I was a child I always longed to be famous. Yes, I did really."

He described a recent "scrappy meeting of poets" adding: "All the younger poets received me very sort of politely, nicely and affectionately. I think that's fun, in old age. If one gets a little affection and people are at all grateful and respect you. You don't feel you've altogether deserved it."

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Beware of Greeks baring teeth

Michael Thompson-Noel

secret, but H&H has been fully interactive, sparklingly on-line, for several weeks, part of a study being conducted by MIT and some nerds in Silicon Valley.

My working day is lengthening. Readers are talking back. Even minor characters mentioned only hurriedly are getting on to me in real time. Yesterday I was tapping away when the story suddenly filed itself into my screen from a mobile TV studio stationed, he explained, in the village of Phigaleia, Greece.

Georgios the biker made a two-line appearance in a book review of mine in last Saturday's FT. He had made a longer appearance in the book under review: *The Pan Principle*. Fiona Pitt-Kethley's account of travels in Greece, looking for traces of Pan. She did not find Pan, but she found plenty of Greeks, some of whom she enjoyed. The review driftily noted:

I asked, rather sharply:

"What do you want, Georgios?" I assumed he would berate me about his appearance in the book review, or even in the book. But that was not why he was

calling.

"Sure I picked her up," he said, referring to Pitt-Kethley.

"What a silly woman. I expect the book was boring. But what I'm calling to ask is why you hate foreigners. French, German, Greek. Especially you hate the Greek. On 16/1/94 you wrote about the Elgin Marbles. You joked about the Marbles. Macdonalds, I think, was the

one who made that up - and did not speak the English. Said the French were stupid, and should all learn to speak the English. More stirring-up. Graffiti. Twerps. Why you bother to do it? Maybe I bite you."

"Look, Georgios," I said.

"I'll catch you," he screamed. "And then I'll really bite you."

You have to allow for artistic licence. On 29/1/94 I appeared to be rude about people who live in Kent, part of southern England. I was discussing the Channel Tunnel, and its high-speed rail connection between London and the coast. Many people in Kent are angry with the route of this rail-line. So I said: "People who live in Kent are a selfish and common sort, so they can shut up." But of course I did not mean that.

You have to distinguish, Georgios, between the surface meaning of the words and the meaning underneath. In pretending to write rudely about people who live in Kent, I was really expressing my admiration for the Channel Tunnel, and for all sorts of macro-engineering, which I happen to find exciting. For example, the Parthenon and its Marbles.

Unfortunately, mention of the Marbles triggered a stormy reaction in Georgios the b